

**KERSHAW COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2011**

**KERSHAW COUNTY, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2011**

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SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA
TERRY M. HANCOCK, CPA
LARRY F. GODWIN, CPA
THOMAS B. MYERS, CPA
DARYL W. TAYLOR, CPA
ANTHONY E. BOYKIN, CPA
JANE M. PEACOCK, CPA
MATTHEW C. IRICK, CPA
ANTHONY N. MESSIER, CPA
J. RICHARD PARKER, CPA
R. MARC WOOD

REBECCA M. LEE, CPA
KELLEY C. STEEN, CPA
STEPHEN A. GRAHAM, CPA
JOHN C. BOYKIN, III
JESSICA E. GASKINS

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S
SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE
(803) 432-1424
FAX
(803) 432-1831

WEBSITE: www.shgcpa.com

January 6, 2012

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the County Council
Kershaw County
Camden, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kershaw County, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kershaw County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kershaw County, South Carolina as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2012, on our consideration of Kershaw County South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund on pages 3 through 12 and 65, and the schedules of funding progress and employer contributions on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kershaw County, South Carolina's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sheheen Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Certified Public Accountants

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011**

This section of Kershaw County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended June 30, 2011. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of Kershaw County exceeded its liabilities at the close of the most recent fiscal year by \$46,586,417. Of this amount, \$36,787,505 may be used to meet the County's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, Kershaw County's governmental funds reported combined ending fund balances of \$10,589,925.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$6,893,621.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, a section that presents combining and individual fund statements and schedules for major and non-major governmental funds and fiduciary funds and a compliance section. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the sewer system.
 - Fiduciary fund statements provide information about the financial relationships – like the collection of taxes for the Kershaw County School District – in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)**

Figure A-1 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)

Figure A-1. Major Features of Kershaw County's Government-wide and Fund Financial Statements

Scope	Government-wide Statements	Fund Statements		
		<u>Government Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
	Entire County government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: the sewer system	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows	Statement of fiduciary net assets, Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter.	All assets and liabilities, both financial and capital, and short and long-term	All assets and liabilities, both short and long-term
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)

Government-Wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net assets and how they have changed. Net assets – the difference between the County's assets and liabilities – is one way to measure the County's financial health, or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of the County's roads.

The government-wide financial statements of the County are divided into two categories:

- Governmental activities – Most of the County's basic services are included here, such as public safety, parks and recreation, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The County charges fees to customers to help it cover the costs of the County's sewer system. This activity is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and bond covenants.
- The County establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants (like aid from the U.S. Department of Housing and Urban Development).

The County has three kinds of funds:

- Governmental funds—Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)**

Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- Proprietary funds—Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the County's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- Fiduciary funds—The County is the trustee, or fiduciary, for the Kershaw County School District's funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's combined net assets at the end of the current fiscal year are \$46,586,417. Looking at the net assets and net expenses of governmental and business-type activities separately reflects that net assets from governmental activities make up 78.9 % of total net assets. The following table is a summary of the County's net assets for 2011 compared to 2010.

Table 1
Kershaw County's Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and Other Assets	\$ 14,897,396	\$ 15,827,171	\$ (929,775)
Capital Assets	<u>56,175,273</u>	<u>54,752,080</u>	<u>1,423,193</u>
Total Assets	<u>71,072,669</u>	<u>70,579,251</u>	<u>493,418</u>
Long Term Debt Outstanding	21,098,704	20,980,990	117,714
Other Liabilities	<u>3,387,548</u>	<u>3,555,347</u>	<u>(167,799)</u>
Total Liabilities	<u>24,486,252</u>	<u>24,536,337</u>	<u>(50,085)</u>
Invested in Capital Assets	40,983,618	37,913,908	3,069,710
Restricted	1,473,795	1,862,045	(388,250)
Unrestricted	<u>4,129,004</u>	<u>6,266,961</u>	<u>(2,137,957)</u>
Total Net Assets	<u>\$ 46,586,417</u>	<u>\$ 46,042,914</u>	<u>\$ 543,503</u>

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)**

Change in Net Assets. The following table is a summary of the County's change in net assets for 2011.

Table 2
Kershaw County's Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Fees, Fines, and Charges for Services	\$ 4,167,837	\$ 923,059	\$ 5,090,896
Operating Grants	648,070	-	648,070
Capital Grants	919,416	100,000	1,019,416
General Revenues:			
Property Taxes	16,121,811	-	16,121,811
Miscellaneous	785,926	18,457	804,383
Unrestricted Investment Earnings	18,901	-	18,901
Intergovernmental Revenues	3,067,587	-	3,067,587
Gain on Disposition of Capital Assets	22,315	-	22,315
Transfers – Sewer Fund	(655,577)	655,577	-
 Total Revenues	 <u>25,096,286</u>	 <u>1,697,093</u>	 <u>26,793,379</u>
 Expenses:			
General Government	10,004,413	-	10,004,413
Public Safety	7,882,869	-	7,882,869
Sanitation	1,770,077	-	1,770,077
Highways and Streets	1,624,996	-	1,624,996
Other Objects	2,018,444	-	2,018,444
Culture and Recreation	1,272,966	-	1,272,966
Capital Outlay	44,010	-	44,040
Interest and Other Charges	217,043	-	217,043
Sewer	-	1,389,532	1,389,532
 Total Expenses	 <u>24,834,818</u>	 <u>1,389,532</u>	 <u>26,224,350</u>
 Change in Net Assets	 261,468	 307,561	 569,029
 Net Assets, Beginning of Year (Restated)	 <u>36,526,037</u>	 <u>9,491,351</u>	 <u>46,017,388</u>
 Net Assets, End of Year	 <u>\$36,787,505</u>	 <u>\$ 9,798,912</u>	 <u>\$46,586,417</u>

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)**

Governmental Activities

Governmental activities increased the County's net assets by \$261,468. The increase in net assets is largely attributable to the increase in operating grants and contributions of \$507,024.

Expenses for governmental activities increased from the previous year by \$639,510. All expense categories decreased from last fiscal year with the exception of general government, public safety, and other objects.

Business-type Activities

Business-type activities had a net asset increase of \$307,561. The increase in net assets is attributable to the increase in revenue of \$220,941 and total transfers of \$655,577. Charges to customers for monthly usage of the system did not cover operating expenses for the current fiscal year.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As of the end of the fiscal year, governmental funds had a combined fund balance of \$10,589,925, which is a decrease of \$343,720 over last year. Of this balance, the General fund makes up \$8,888,876 – roughly 84%. The General fund is the main operating fund for the County.

The Special Revenue fund makes up \$1,099,069 of the governmental fund balance. The special revenue funds are funds that are setup to account for specific revenues that are legally restricted to expenditure for a particular purpose. Funds such as inmate canteen, fire service, E-911 Tariff and grants make up these funds.

The Debt Service fund makes up \$76,936 of the governmental fund balance. The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the County is obligated in some manner for the payment.

The Capital Projects fund makes up \$525,044 of the governmental fund balance. The Capital Projects fund is used to record transactions for acquiring new buildings, equipment for new buildings and major equipment additions, including remodeling of, or additions to, existing facilities.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)**

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for the County sewer system at the end of the year were \$(352,162). Other factors regarding this fund were addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are due to transfers and budget amendments made by County Administration. These transfers and budget amendments were made for various reasons including line item costs overruns, salary increases, supplemental appropriations, capital expenditures, etc. After considering these budget adjustments, actual revenues were \$58,061 over the budgeted amount. Actual expenses for the general fund were \$290,754 under budget, and other financing sources and uses were \$375,172 over budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, Kershaw County had invested \$56,175,273 (net of accumulated depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and sewer lines. More detailed information about the County's capital assets is presented in Note 7 to the financial statements.

This year's major capital asset additions included:

- Construction expenses for a new influent pump station.
- Construction expenses for a new sewer line at Kawashima.
- Improvements and additions to recreation facilities
- Infrastructure improvements to Blaney Fire Station.
- Infrastructure improvements at two Kershaw County Industrial Parks
- Infrastructure improvements to Kershaw County Airport.
- Purchase of equipment for E-911 Backup Center.
- Purchase of telephone equipment and new emergency frequency radio equipment.
- Purchase of vehicles.

The County's capital assets are financed through a variety of sources including general obligation debt, lease purchases, revenue bonds, grants and property taxes.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)**

Table 3
Kershaw County's Capital Assets

Land	\$ 9,085,962	\$ 465,301	\$ 9,551,263
Construction in Progress	2,376,820	764,014	3,140,834
Buildings and Improvements	26,206,993	-	26,206,993
Office Equipment	883,586	-	883,586
Equipment	6,157,127	112,503	6,269,630
Vehicles	8,308,238	-	8,308,238
Infrastructure	20,478,655	20,145,346	40,624,001
Accumulated Depreciation	<u>(35,833,913)</u>	<u>(2,975,359)</u>	<u>(38,809,272)</u>
Total	<u>\$ 37,663,468</u>	<u>\$ 18,511,805</u>	<u>\$ 56,175,273</u>

Long-term Debt

At year-end, the County had \$17,608,724 in bonds, notes, capital leases and compensated absences outstanding - as shown in Table 4. More detailed information about the County's long-term liabilities is presented in Note 10 to the financial statements.

Of the \$17.1 million in debt, \$11,381,158 is backed by the full faith and credit of the County. The remainder of the debt represents bonds backed solely by specified revenue sources.

Bond Ratings

The County currently has an Aa3 bond rating from Moody's Investor Services and an AA bond rating from Standard and Poor's.

Limitations on Debt

The State of South Carolina Code of Laws, as amended, limits the amount of general obligation debt the County can issue to no more than 8 percent of the assessed value of all taxable property within the County without the approval of a referendum presented to the citizens of Kershaw County. The current 8% debt limitation based on assessed value of \$195,529,436 for the County is \$15,642,355 of which the County has \$4,261,197 available.

**KERSHAW COUNTY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Fiscal Year Ended June 30, 2011
(Continued)**

Table 4
Kershaw County's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
General Obligation Bonds	\$ 7,350,000	\$ 8,170,000	\$ 8,822,896	\$ 8,489,031	\$ 16,172,896	\$ 16,659,031
Capital Leases	84,928	-	-	-	84,928	-
Revenue Bonds	85,054	71,950	495,296	357,758	580,350	429,708
Compensated Absences	668,579	516,290	4,760	3,695	673,339	519,985
Net OPEB Obligation	1,113,481	1,245,825	-	-	1,113,481	1,245,825
Post-Closure Costs	<u>2,356,000</u>	<u>2,232,000</u>	<u>-</u>	<u>-</u>	<u>2,356,000</u>	<u>2,232,000</u>
Total	<u>\$ 11,658,042</u>	<u>\$ 12,236,065</u>	<u>\$ 9,322,952</u>	<u>\$ 8,850,484</u>	<u>\$ 20,980,994</u>	<u>\$ 21,086,549</u>

NEXT YEAR'S BUDGETS AND RATES

The 2011-2012 original budget for the Kershaw County General Fund is \$22,516,481, which includes a \$1,008,289 appropriation from available fund balance. A portion of the fund balance appropriation is for projects budgeted for in past years that have not been completed.

The budget for the Kershaw County sewer system for the 2011-2012 fiscal year is \$1,036,864.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kershaw County Finance Office, 515 Walnut Street, Camden, South Carolina 29020.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2011

EXHIBIT A

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 10,953,154	\$ 590	\$ 10,953,744
Restricted Cash	1,114,041	-	1,114,041
Accounts Receivable, Net	-	75,791	75,791
Taxes Receivable, Net	729,157	-	729,157
Other Receivables	1,856,734	-	1,856,734
Interfund Balances	(640,165)	640,165	-
Prepaid Expenses	8,671	-	8,671
Deferred Bond Issuance Costs, Net of Amortization	78,728	32,224	110,952
Deferred Amount on Refunding, Net of Amortization	48,306	-	48,306
Capital Assets:			
Land	9,085,962	465,301	9,551,263
Construction in Progress	2,376,820	764,014	3,140,834
Buildings and Improvements	26,206,993	-	26,206,993
Office Equipment	883,586	-	883,586
Equipment	6,157,127	112,503	6,269,630
Vehicles	8,308,238	-	8,308,238
Infrastructure	20,478,655	20,145,346	40,624,001
Less: Accumulated Depreciation	(35,833,913)	(2,975,359)	(38,809,272)
Total Capital Assets, Net of Depreciation	<u>37,663,468</u>	<u>18,511,805</u>	<u>56,175,273</u>
Total Assets	<u><u>51,812,094</u></u>	<u><u>19,260,575</u></u>	<u><u>71,072,669</u></u>
Liabilities			
Accounts Payable and Accrued Liabilities	1,296,035	-	1,296,035
Accrued Interest Payable	66,106	41,389	107,495
Customer Deposits Payable	-	7,440	7,440
Deferred Revenue	-	562,350	562,350
Due to Agency Funds	1,414,228	-	1,414,228
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds	1,295,000	345,360	1,640,360
Revenue Bonds	13,953	140,698	154,651
Compensated Absences	80,511	3,695	84,206
Due in More Than One Year:			
General Obligation Bonds	6,875,000	8,143,671	15,018,671
Revenue Bonds	57,997	217,060	275,057
Bond Premiums, Net of Amortization	12,155	-	12,155
Compensated Absences	435,779	-	435,779
Net OPEB Obligation	1,245,825	-	1,245,825
Closure and Post Closure Costs	<u>2,232,000</u>	<u>-</u>	<u>2,232,000</u>
Total Liabilities	<u><u>15,024,589</u></u>	<u><u>9,461,663</u></u>	<u><u>24,486,252</u></u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	31,318,602	9,665,016	40,983,618
Restricted for:			
Debt Service	76,936	486,058	562,994
Capital Projects	525,044	-	525,044
Victims Assistance	385,757	-	385,757
Unrestricted	<u>4,481,166</u>	<u>(352,162)</u>	<u>4,129,004</u>
Total Net Assets	<u><u>\$ 36,787,505</u></u>	<u><u>\$ 9,798,912</u></u>	<u><u>\$ 46,586,417</u></u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

EXHIBIT B

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental Activities						
General Government	\$ 10,004,413	\$ 2,325,658	\$ 455,140	\$ 96,428	\$ (7,127,187)	\$ -
Public Safety	7,882,869	224,041	192,930	784,043	(6,681,855)	-
Sanitation	1,770,077	3,030	-	-	(1,767,047)	-
Highways and Streets	1,624,996	1,323,804	-	-	(301,192)	-
Other Objects	2,018,444	-	-	-	(2,018,444)	-
Culture and Recreation	1,272,966	291,304	-	38,945	(942,717)	-
Capital Outlay	44,010	-	-	-	(44,010)	-
Interest and Fiscal Charges	217,043	-	-	-	(217,043)	-
Total Governmental Activities	24,834,818	4,167,837	648,070	919,416	(19,099,495)	-
Business-Type Activities:						
Sewer	1,389,532	923,059	-	100,000	-	(366,473)
Total Business-Type Activities	1,389,532	923,059	-	100,000	-	(366,473)
Total Primary Government	\$ 26,224,350	\$ 5,090,896	\$ 648,070	\$ 1,019,416	(19,099,495)	(19,465,968)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes					8,550,644	-
Property Taxes, Levied for Debt Service					1,768,427	-
Public Service Taxes					1,438,343	-
Sales and Use Tax					3,373,447	-
Payments in Lieu of Taxes					990,950	-
Miscellaneous					785,926	18,457
Unrestricted Investment Earnings					18,901	-
Intergovernmental Revenues					3,067,587	-
Gain on Disposition of Capital Assets					22,315	-
Transfers - Sewer Fund					(655,577)	655,577
Total General Revenues					19,360,963	674,034
Change in Net Assets					261,468	307,561
Net Assets, Beginning of Year (Restated)					36,526,037	9,491,351
Net Assets, End of Year					\$ 36,787,505	\$ 9,798,912
						\$ 46,586,417

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

EXHIBIT C

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 10,950,950	\$ 2,204	\$ -	\$ 10,953,154
Restricted Cash	380,000	734,041	-	1,114,041
Receivables:				
Property Taxes, Net	612,013	33,887	83,257	729,157
Intergovernmental	1,071,248	285,862	64,439	1,421,549
Other	152,043	96,168	186,974	435,185
Due From Other Funds	5,562	2,918	373,724	382,204
Prepaid Expenses	<u>8,671</u>	<u>-</u>	<u>-</u>	<u>8,671</u>
Total Assets	<u>\$ 13,180,487</u>	<u>\$ 1,155,080</u>	<u>\$ 708,394</u>	<u>\$ 15,043,961</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,296,035	\$ -	\$ -	\$ 1,296,035
Compensated Absences	78,501	2,010	-	80,511
Due to Other Funds	2,431,035	-	5,562	2,436,597
Deferred Tax Revenue	485,040	20,215	65,198	570,453
Deferred Revenue	<u>1,000</u>	<u>33,786</u>	<u>35,654</u>	<u>70,440</u>
Total Liabilities	<u>4,291,611</u>	<u>56,011</u>	<u>106,414</u>	<u>4,454,036</u>
Fund Balances				
Nonspendable for Prepaids	8,671	-	-	8,671
Restricted for:				
Debt Service	-	-	76,936	76,936
Capital Projects	-	-	525,044	525,044
Victims Assistance	385,757	-	-	385,757
Committed for:				
Library	92,350	-	-	92,350
Recreation	899,047	-	-	899,047
Capital Projects	609,430	-	-	609,430
Assigned	-	1,099,069	-	1,099,069
Unassigned	<u>6,893,621</u>	<u>-</u>	<u>-</u>	<u>6,893,621</u>
Total Fund Balances	<u>8,888,876</u>	<u>1,099,069</u>	<u>601,980</u>	<u>10,589,925</u>
Total Liabilities and Fund Balances	<u>\$ 13,180,487</u>	<u>\$ 1,155,080</u>	<u>\$ 708,394</u>	<u>\$ 15,043,961</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
June 30, 2011

EXHIBIT D

Total Fund Balances - Governmental Funds (Exhibit C) **\$ 10,589,925**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property Taxes	570,453
Other	70,440

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets are \$73,497,381 and the accumulated depreciation is \$35,833,913 37,663,468

Bond issuance costs are capitalized when incurred and amortized over the life of the related bonds in the Statement of Net Assets; these costs are expenditures in the funds. Bond issuance costs totaled \$192,782 and accumulated amortization totaled \$114,054. 78,728

The County's Net Other Post-Employment Benefit ("OPEB") Obligation resulting from underfunded annual required contributions to its OPEB Plan is not reported as a liability in the governmental funds. (1,245,825)

Accrued interest on bonds in governmental accounting was not due and payable in the current period and, therefore, has not been reported as a liability in the funds. (66,106)

Long-term liabilities, including debt premiums and deferred refunding charges, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General Obligation Bonds	(6,875,000)
General Obligation Bonds- Current	(1,295,000)
Revenue Bonds	(57,997)
Revenue Bonds - Current	(13,953)
Debt Premium, Net of Accumulated Amortization of \$1,642	(12,155)
Deferred Refunding Charges, Net of Accumulated Amortization of \$5,617	48,306
Compensated Absences	(435,779)
Closure and Post Closure Costs	<u>(2,232,000)</u>

Total Net Assets - Governmental Activities (Exhibit A) **\$ 36,787,505**

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

EXHIBIT E

For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 13,072,388	\$ 1,438,343	\$ 1,768,427	\$ 16,279,158
Licenses, Permits and Fees	2,929,276	7,409	9,634	2,946,319
Intergovernmental Revenues	2,570,306	497,281	-	3,067,587
Charges for Services	566,411	-	-	566,411
Fines and Forfeits	585,512	88,496	-	674,008
Miscellaneous	<u>419,332</u>	<u>984,816</u>	<u>96,428</u>	<u>1,500,576</u>
Total Revenues	<u>20,143,225</u>	<u>3,016,345</u>	<u>1,874,489</u>	<u>25,034,059</u>
Expenditures				
Current:				
General Government	8,333,203	717,365	-	9,050,568
Public Safety	6,101,582	1,177,037	-	7,278,619
Highways and Streets	969,513	26,748	-	996,261
Culture and Recreation	1,177,632	-	-	1,177,632
Sanitation	1,738,938	-	-	1,738,938
Other Objects	1,697,492	320,952	-	2,018,444
Capital Outlay	389,899	505,813	2,003,312	2,899,024
Debt Service:				
Principal	13,104	-	1,274,926	1,288,030
Interest and Other Charges	5,042	-	201,558	206,600
Refunding Bond Issuance Costs	<u>-</u>	<u>-</u>	<u>60,275</u>	<u>60,275</u>
Total Expenditures	<u>20,426,405</u>	<u>2,747,915</u>	<u>3,540,071</u>	<u>26,714,391</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(283,180)</u>	<u>268,430</u>	<u>(1,665,582)</u>	<u>(1,680,332)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	22,315	-	-	22,315
Premiums on Bonds Sold	-	-	13,797	13,797
Proceeds of Refunding Debt	-	-	4,625,000	4,625,000
Payment to Refunded Debt Escrow Agent	-	-	(2,668,923)	(2,668,923)
Transfer from General Fund	-	33,468	854,027	887,495
Transfer from Special Revenue Fund	-	-	744,873	744,873
Transfer from Debt Service Fund	1,147,503	-	-	1,147,503
Transfer to General Fund	-	-	(1,147,503)	(1,147,503)
Transfer to Special Revenue Fund	(33,468)	-	-	(33,468)
Transfer to Capital Projects Fund	(854,027)	(744,873)	-	(1,598,900)
Transfer to Proprietary Fund	<u>(25,500)</u>	<u>(388,756)</u>	<u>(241,321)</u>	<u>(655,577)</u>
Total Other Financing Sources (Uses)	<u>256,823</u>	<u>(1,100,161)</u>	<u>2,179,950</u>	<u>1,336,612</u>
Net Change in Fund Balances	(26,357)	(831,731)	514,368	(343,720)
Fund Balances, Beginning of Year (Restated)	<u>8,915,233</u>	<u>1,930,800</u>	<u>87,612</u>	<u>10,933,645</u>
Fund Balances, End of Year	<u>\$ 8,888,876</u>	<u>\$ 1,099,069</u>	<u>\$ 601,980</u>	<u>\$ 10,589,925</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

EXHIBIT F

Total Net Change In Fund Balances - Governmental Funds (Exhibit E) **\$ (343,720)**

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$2,855,014 exceeds depreciation expense of \$2,427,396 in the period. 427,618

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,288,030

Payment to refunding debt escrow agent is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets. 2,668,923

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets (4,625,000)

Bond premiums are other financing sources in the year they are received in governmental funds; but are amortized over the lives of the bonds in the Statement of Activities. This amount represents the premiums received of \$13,797 in the current year, less accumulated amortization of \$1,642 for the current year. (12,155)

Bond issuance costs are expenditures in the year they are incurred in governmental funds; but are amortized over the lives of the bonds in the Statement of Activities. This amount represents the capitalized bond issuance costs incurred of \$60,275 in the current year, less accumulated amortization of \$20,675 for the current year. 39,600

Deferred refunding charges are not recognized by the governmental funds; but are amortized over the life of the refunding debt in the Statement of Activities. This amount is the amortization for the current year. (5,617)

Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Deferred tax revenue decreased in the current year. (157,347)
Deferred revenue increased in the current year. 68,793

Contributions of capital assets are not recorded in the governmental funds. However, in the Statement of Activities, the fair market value of donated capital assets are reported as capital contributions. 784,043

In the Statement of Activities, certain operating expenses -compensated absences- are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned exceeded the amounts used by this amount. 122,437

In the Statement of Activities, an amount is expensed for closure and post-closure costs. Such costs are not accrued in the governmental funds. 124,000

The County's Net Other Post-Employment Benefit ("OPEB") Obligation resulting from underfunded annual required contributions to its OPEB Plan, is not reported as a liability in the governmental funds. This amount represents the net change in this liability during the current year. (132,344)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased in the current year. 14,207

Change in Net Assets of Governmental Activities (Exhibit B) **\$ 261,468**

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

EXHIBIT G

Enterprise Fund
Sewer Fund

Assets

Current Assets:

Cash and Cash Equivalents	\$ 590
Accounts Receivable, Net	75,791
Due from General Fund	<u>640,165</u>

Total Current Assets	<u>716,546</u>
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Non-Current Assets:

Capital Assets:

Land	465,301
Construction in Progress	764,014
Sewer System Infrastructure	20,145,346
Equipment	112,503
Less: Accumulated Depreciation	(2,975,359)

Debt Issuance Costs:

Deferred Costs, net of Accumulated Amortization of \$12,645	<u>32,224</u>
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Total Non-Current Assets	<u>18,544,029</u>
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Total Assets	<u>19,260,575</u>
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Liabilities

Current Liabilities:

Accrued Interest Payable	41,389
Customer Deposits Payable	7,440
Deferred Revenue	562,350
Compensated Absences	3,695
Current Portion of General Obligation Bonds Payable	345,360
Current Portion of Revenue Bonds Payable	<u>140,698</u>

Total Current Liabilities	<u>1,100,932</u>
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Long-term Liabilities:

General Obligation Bonds Payable	8,143,671
Revenue Bonds Payable	<u>217,060</u>

Total Long-term Liabilities	<u>8,360,731</u>
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Total Liabilities	<u>9,461,663</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	9,665,016
Restricted for Debt Service	486,058
Unrestricted	<u>(352,162)</u>

Total Net Assets	<u>\$ 9,798,912</u>
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The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011

EXHIBIT H

	Enterprise Fund Sewer Fund
Operating Revenues	
Charges from Sewer Service	\$ 907,489
Impact Fees and Other Charges	15,570
Miscellaneous	<u>118,457</u>
Total Revenues	<u>1,041,516</u>
Operating Expenses	
Salaries and Benefits	142,510
Contractual Services	140,674
Supplies	13,110
Repairs and Maintenance	163,902
Fuel	6,929
Utilities and Telephone	168,672
Engineering	15,753
Postage	5,842
Miscellaneous	10,482
Depreciation	417,992
Amortization	<u>992</u>
Total Operating Expenses	<u>1,086,858</u>
Operating Income (Loss)	<u>(45,342)</u>
Non-Operating Income (Expense)	
Interest Expense	<u>(302,674)</u>
Total Non-Operating Income (Expense)	<u>(302,674)</u>
Income Before Contributions and Transfers	<u>(348,016)</u>
Transfer from General Fund	25,500
Transfer from Special Revenue Fund	388,756
Transfer from Debt Service Fund	<u>241,321</u>
Total Contributions and Transfers	<u>655,577</u>
Change in Net Assets	307,561
Net Assets, Beginning of Year	<u>9,491,351</u>
Net Assets, End of Year	<u>\$ 9,798,912</u>

The notes to the financial statements are an integral part of these statements.

Kershaw County, South Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011
(Continued)

EXHIBIT I

	Enterprise Fund Sewer Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 1,508,933
Cash Paid to Suppliers	(525,364)
Cash Paid for Salaries and Employee Benefits	(143,575)
Customer Deposits Received	<u>290</u>
Net Cash Provided by Operating Activities	<u>840,284</u>
Cash Flows From Non-Capital Financing Activities	
Operating Transfers from Other Funds	655,577
Increase in Due from Other Funds	<u>(58,264)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>597,313</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(629,525)
Bond Costs	(29,991)
Principal Paid on Revenue Bond Maturities	(471,403)
Interest Paid	<u>(306,678)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,437,597)</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>590</u>
Cash and Cash Equivalents, End of Year	<u>\$ 590</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011
(Continued)

EXHIBIT I

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

	Enterprise Fund <u>Sewer Fund</u>
Operating Income (Loss)	\$ (45,342)
Adjustments to Reconcile Operating Income to Net Cash Provided	
By Operating Activities:	
Depreciation	417,992
Amortization	992
(Increase) in Accounts Receivable	(15,183)
Decrease in Other Receivables	240,600
(Decrease) in Accounts Payable and Accrued Liabilities	(1,065)
Increase in Deferred Revenues	242,000
Increase in Customer Deposits	<u>290</u>
Net Cash Provided by Operating Activities	<u>\$ 840,284</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

EXHIBIT J

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash and Cash Equivalents	\$ 4,248,815	\$ 1,878,892
Taxes Receivable, Net	2,247,130	-
Due from General Fund	<u>1,414,227</u>	<u>-</u>
Total Assets	<u>7,910,172</u>	<u>1,878,892</u>
Liabilities		
Due to Other Taxing Units	5,782,862	-
Deferred Tax Revenue	1,780,310	-
Due to Solicitor	328,143	-
Due to KC Clean Commission	<u>18,857</u>	<u>-</u>
Total Liabilities	<u>7,910,172</u>	<u>-</u>
Net Assets		
Held in Trust	<u>-</u>	<u>1,878,892</u>
Total Net Assets	<u>\$ -</u>	<u>\$ 1,878,892</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
TRUST FUNDS
For the Fiscal Year Ended June 30, 2011

EXHIBIT K

	<u>Detention Center</u>	<u>Land Sale</u>	<u>Magistrate</u>	<u>Clerk/ Family Court</u>	<u>Master in Equity</u>	<u>Sheriff Drug Trust</u>	<u>Total</u>
Additions							
Inmate Deposits	\$ 231,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,948
Land Sales	-	1,840,300	-	-	-	-	1,840,300
Bonds, Fines and Fees	-	-	1,307,426	6,054,276	-	-	7,361,702
Escrow Funds	-	-	-	-	1,189,701	-	1,189,701
Seizures	-	-	-	-	-	32,642	32,642
Interest	-	-	139	3,712	20	19	3,890
Total Additions	<u>231,948</u>	<u>1,840,300</u>	<u>1,307,565</u>	<u>6,057,988</u>	<u>1,189,721</u>	<u>32,661</u>	<u>10,660,183</u>
Deductions							
Inmate Withdrawals	305,214	-	-	-	-	-	305,214
Disbursement of Sales Proceeds	-	1,977,786	-	-	-	-	1,977,786
Disbursement of Bonds, Fines and Fees	-	-	1,272,455	6,162,004	-	-	7,434,459
Disbursement of Escrow Funds	-	-	-	-	1,240,275	2,363	1,242,638
Bank Charges	-	-	70	52	-	-	122
Total Deductions	<u>305,214</u>	<u>1,977,786</u>	<u>1,272,525</u>	<u>6,162,056</u>	<u>1,240,275</u>	<u>2,363</u>	<u>10,960,219</u>
Change to Fiduciary Net Assets	<u>(73,266)</u>	<u>(137,486)</u>	<u>35,040</u>	<u>(104,068)</u>	<u>(50,554)</u>	<u>30,298</u>	<u>(300,036)</u>
Net Assets, Beginning of Year	<u>111,152</u>	<u>1,148,679</u>	<u>137,773</u>	<u>711,016</u>	<u>70,308</u>	<u>-</u>	<u>2,178,928</u>
Net Assets, End of Year	<u>\$ 37,886</u>	<u>\$ 1,011,193</u>	<u>\$ 172,813</u>	<u>\$ 606,948</u>	<u>\$ 19,754</u>	<u>\$ 30,298</u>	<u>\$ 1,878,892</u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies

Kershaw County, South Carolina, operates under the Council Administrator form of government as provided by the Home Rule Act of 1975. The County provides the following services: general administrative services, public safety, health and social services, planning and zoning, culture and recreation, unpaved road maintenance, sanitation, sewer (provided to West Wateree and East Camden areas only) and public improvements.

The financial statements of Kershaw County have been prepared in conformity with accounting principles generally accepted in the United States of America, (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the County's accounting policies.

A. Reporting Entity

In evaluating how to define Kershaw County, South Carolina, for financial reporting purposes, management has considered all potential component units. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County holds the corporate powers of the organization
- the County appoints voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is a fiscal dependency by the organization on the County

As a result of applying the criteria above, it has been determined that the County does not significantly influence the Kershaw County School District's operations. Therefore, it is not a component unit organization. As the Kershaw County School District has the authority to borrow funds, establish its budget, hire and terminate employees, enter into its own contracts and is responsible for funding its own deficits, it is construed that the Kershaw County School District is an independent entity and is reported as such.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the County, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods or services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect cost.

Fund Financial Statements

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its asset, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the County are described below:

**KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

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Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and Special Revenue Fund are the County's major governmental funds.

General Fund

The *General Fund*, a major fund, is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operational expenditures for general government, public safety, sanitation, highways and streets and other departments of the County are paid through the General Fund.

Special Revenue Fund

The *Special Revenue Fund*, a major fund, is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund

The *Debt Service Fund* is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related cost of the County other than debt service payments made by enterprise funds.

Capital Projects Fund

The *Capital Projects Fund* is used to account for resources for the acquisition or construction of specific capital projects or items.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following is the County's proprietary fund:

Enterprise Fund

The *Enterprise Fund* is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The

KERSHAW COUNTY, SOUTH CAROLINA
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Sewer Fund is the County's only enterprise fund and is used to account for the financial transactions related to the sewer service operations for the residents of the West Wateree and East Camden areas of the County. The Sewer Fund is a major fund.

Fiduciary Funds

Fiduciary Fund reporting focuses on net assets and changes in net assets. The Fiduciary Funds consist of Agency Funds and Trust Funds.

Agency Funds

Agency Funds are used to account for assets held by the County in a trustee capacity and do not involve measurement of results of operations. The County has four Agency Funds as follows:

School Fund. The School Fund accounts for the School District funds, which are collected and maintained by the Kershaw County Treasurer.

Solicitor's Fund. The Solicitor's Fund accounts for the operational activities of the regional Solicitor for Richland and Kershaw Counties.

Municipal Fund. The Municipal Fund accounts for the property taxes that the County collects for the City of Camden.

Fire District Fund. The Fire District Fund accounts for the property taxes that the County collects for the Mt Pisgah and Lugoff fire districts.

Trust Funds

Trust Funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The County utilizes the following Trust Funds.

Detention Center. The Detention Center Trust Fund is used to account for the financial resources held by the County for inmates of the Kershaw County Detention Center.

Land Sale. The Land Sale Trust Fund is used to account for the financial resources held by the County that may be claimed by certain members of the public as a result of the Treasurer's tax sale activities.

Magistrate. The Magistrate Trust Fund is used to account for the financial resources held by the County that may be claimed by certain members of the public based on Magistrate Court activities.

KERSHAW COUNTY, SOUTH CAROLINA
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Clerk of Court/Family Court. The Clerk of Court/Family Court Trust Fund is used to account for the financial resources held by the County that may be claimed by certain members of the public based on activities of the court.

Master-in-Equity. The Master-in-Equity Trust Fund is used to account for the financial resources held by the County that may be claimed by certain members of the public based on activities of the Master-in-Equity.

Sheriff Drug Trust. The Sheriff Drug Trust Fund is used to account for drug seizure money held by the County until the cases are heard and a determination is made if the money belongs to an individual or the County.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the Proprietary Fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases and decreases in total net assets. The Statement of Cash Flows reflects how the County finances and meets the cash flow of its Proprietary Fund.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Items such as property taxes are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

All Proprietary Funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and amounts in demand deposits.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for Investment Pools*. Investment policies of the County must operate within existing state statutes of the State of South Carolina, which authorizes what the County may and may not invest in.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, franchise fees, state shared revenue and grants. Property taxes receivables are carried at cost less an allowance for uncollectible. Business-type activities report sewer as their major receivables.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise fees, state shared revenue and grants if they are both measurable and available. Nonexchange transactions collectible but not available, such as property taxes, are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Sewer accounts receivable compose the majority of Proprietary fund receivables. All trade and property tax receivables are recorded net of any allowances for uncollectibles.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

G. Prepaid Items

Prepaid items consist of payments made to vendors for services that will benefit periods beyond June 30, 2011.

H. Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to July 1, 2002. The County maintains a capitalization policy of \$10,000 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction is not capitalized for general capital assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

Buildings	25-50 years
Improvements	10-50 years
Furniture and Equipment	3-20 years
Vehicles	3-5 years
Sewer System	10-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Short-term Interfund Receivables/Payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund financial balance sheet. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.

J. Compensated Absences

The County reports Compensated Absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The County’s policies regarding vacation and sick leave are based on years of service, with a total of 12 to 18 days of vacation and 12 days of sick leave per year accumulated by each employee. However, employees are not paid for the accumulated sick leave upon retirement or other termination and, therefore, no liability has been accrued in the financial statements for accumulated sick leave. Each employee may accumulate a maximum of 45 days for vacation.

The entire compensated absence liability for unused vacation is reported on the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. For the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

K. Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Grant revenues received before the eligibility requirements are met are recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the grant proceeds, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

On governmental fund financial statements, receivables that will not be collected within the available period (60 days after year-end) are reported as deferred revenue.

L. Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Amortization of bond issuance costs are included in interest expense. The long-term debt consists primarily of bonds payable, capital leases, accrued compensated absences and post-closure costs.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

M. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt. This consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets. This consists of net assets with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets. All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are classified as unrestricted.

Fund Statements

During the year ended June 30, 2011, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). The objective of GASB 54 is to enhance the usefulness of fund balance information by

KERSHAW COUNTY, SOUTH CAROLINA
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providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The implementation of this statement had no impact on the total fund balances for the County's governmental funds.

The County classifies governmental fund balances as follows:

- **Nonspendable**—Includes amounts that inherently cannot be spent either because they are not in a spendable form (i.e., prepaids, inventories, long-term loan receivables, etc.) or because they are legally or contractually required to be maintained intact (i.e., principal on an endowment, etc.).
- **Restricted**—Includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.
- **Committed**—Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by County Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned**—Includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed, designated by Council before the end of the reporting period.
- **Unassigned**—Includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide statements.

The County generally uses restricted amounts first when both restricted and unrestricted (committed, assigned and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

N. Operating and Non-Operating Revenues and Expenses

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses for the Proprietary fund include costs of sales, administrative expenses and depreciation of capital assets. All other expenses are reported as non-operating expenses.

O. Capital Contributions

Contributions of capital on government-wide and enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds or from grants or outside contributions of resources restricted to capital acquisition and construction.

P. Inter-Fund Transactions

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the County's management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

R. Statement of Cash Flows

For purposes of the statement of cash flows, the County's Proprietary Fund considers cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits, treasury bills and money market funds.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Note 2. Deposits and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be recovered. The County does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$295,385 of the County's bank balance of \$19,101,800, which has a carrying value of \$18,191,152, was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank not in the County's name	<u>\$295,385</u>
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Investments

As of June 30, 2011, the County had the following investment and maturity, which is included in cash and cash equivalents:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Yr.</u>
Repurchase Agreement	Unrated	\$11,204,466	\$11,204,466

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

Custodial Credit Risk for Investments- Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a deposit policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2011, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk for Investments – The County places no limit on the amount invested in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Note 3. Property Taxes

The County assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the County, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as a part of the budget adoption process.

KERSHAW COUNTY, SOUTH CAROLINA
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(Continued)

Real property and all personal property other than vehicles are assessed for property tax purposes on January 1 of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the County is taken from the records of the Kershaw County Auditor. Taxes are levied in October and are due and payable at that time. Property taxes are due by January 15, and penalties are imposed as follows: 3% prior to February 1, an additional 7% prior to March 15, and an additional 5% after March 15.

A summary of outstanding property taxes at June 30, 2011, is presented below.

	Governmental Fund Type			Fiduciary Fund Type	
	General Fund	Special Revenue Fund	Debt Service Fund	Agency Fund	Total
Taxes					
Receivable	\$1,053,366	\$108,125	\$143,119	\$3,817,290	\$5,121,900
Less: Allowance for Doubtful Accounts	(441,353)	(74,238)	(59,863)	(1,570,160)	(2,145,614)
Net Taxes					
Receivable	\$ <u>612,013</u>	\$ <u>33,887</u>	\$ <u>83,256</u>	\$ <u>2,247,130</u>	\$ <u>2,976,286</u>

Note 4. Other Receivables

Other governmental receivables at June 30, 2011, consist of intergovernmental revenues, franchise fees, magistrate fees, DSS fees and landfill fees.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2011, the Special Revenue Fund and Capital Projects Fund had unearned revenue related to grants in the amount of \$33,786 and \$35,654, respectively.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2011, (all of which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
General Fund	\$ 5,562	\$ 2,431,034
Special Revenue Fund	2,918	-
Capital Projects Fund	373,724	-
Debt Service Fund	-	5,562
Proprietary Fund	640,165	-
Agency Fund	1,414,227	-
Totals	<u>\$ 2,436,596</u>	<u>\$ 2,436,596</u>

The General Fund receivable is a result of the Debt Service Fund owing the General Fund for bond expenditures paid. The General Fund payable is a result of various transactions for the Special Revenue Fund, Capital Projects Fund, Proprietary Fund and Agency Fund.

Note 6. Prior Period Adjustment

A liability account was computed incorrectly in prior years for amounts collected for vehicle tags that are to be remitted to the Department of Motor Vehicles. The liability account has not been adjusted for the past couple of years to reflect the correct amount owed to the Department of Motor Vehicles. The effect of this adjustment would have decreased the change in net assets for the governmental activities and the change in fund balances for governmental funds by \$25,562. Beginning fund balances of the governmental funds and the beginning net assets for governmental activities have been restated by this amount.

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NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

Note 7. Capital Assets

Capital Asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending</u>
<i>Governmental Activities</i>					
Non-depreciable Assets:					
Land	\$ 9,085,962	\$ -	\$ -	\$ -	\$ 9,085,962
Construction in Progress	901,388	1,475,432	-	-	2,376,820
Depreciable Assets:					
Buildings and Improvements	25,940,666	266,327	-	-	26,206,993
Office Equipment	657,070	226,516	-	-	883,586
Equipment	5,182,353	974,774	-	-	6,157,127
Vehicles	8,011,007	297,231	-	-	8,308,238
Infrastructure	<u>20,079,878</u>	<u>398,777</u>	<u>-</u>	<u>-</u>	<u>20,478,655</u>
Totals	<u>69,858,324</u>	<u>3,639,057</u>	<u>-</u>	<u>-</u>	<u>73,497,381</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(6,199,077)	(843,329)	-	-	(7,042,406)
Office Equipment	(617,508)	(35,665)	-	-	(653,173)
Equipment	(3,851,777)	(360,373)	-	-	(4,212,150)
Vehicles	(6,750,383)	(551,581)	-	-	(7,301,964)
Infrastructure	<u>(15,987,772)</u>	<u>(636,448)</u>	<u>-</u>	<u>-</u>	<u>(16,624,220)</u>
Totals	<u>(33,406,517)</u>	<u>(2,427,396)</u>	<u>-</u>	<u>-</u>	<u>(35,833,913)</u>
Governmental Activities					
Capital Assets,					
Net	<u>\$ 36,451,807</u>	<u>\$ 1,211,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,663,468</u>

KERSHAW COUNTY, SOUTH CAROLINA
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Depreciation expense was charged to governmental activities as follows:

General Government	\$ 841,746
Highways and Streets	636,448
Public Safety	680,560
Sanitation	161,185
Culture and Recreation	<u>107,457</u>

Governmental Activities	
Total Depreciation Expense	<u>\$2,427,396</u>

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending</u>
<i>Business-type Activities</i>					
Non-depreciable Assets:					
Land	\$ 465,301	\$ -	\$ -	\$ -	\$ 465,301
Construction in Progress	275,067	488,947	-	-	764,014
Depreciable Assets:					
Sewer System	20,004,768	140,578	-	-	20,145,346
Equipment	<u>112,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,503</u>
Totals	<u>20,857,639</u>	<u>629,525</u>	<u>-</u>	<u>-</u>	<u>21,487,164</u>
Less: Accumulated Depreciation					
Sewer System	(2,506,124)	(401,316)	-	-	(2,907,440)
Equipment	<u>(51,242)</u>	<u>(16,677)</u>	<u>-</u>	<u>-</u>	<u>(67,919)</u>
Totals	<u>(2,557,366)</u>	<u>(417,993)</u>	<u>-</u>	<u>-</u>	<u>(2,975,359)</u>
Business-type Activities					
Capital Assets,					
Net	<u>\$ 18,300,273</u>	<u>\$ 211,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,511,805</u>

Depreciation expense charged to separately identifiable business-type activities is evident on the face of the fund financial statement and, therefore, is not included here.

**KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

(Continued)

Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2011:

	Expenditures <u>To Date</u>	Total <u>Contract</u>	Contract Payments <u>Remaining</u>
Governmental Activities:			
Gov. Hill Industrial Park	\$ 147,133	\$ 147,133	\$ -
Runway Improvement	86,517	117,095	30,578
Lake Wateree Recreation	1,074	1,074	-
Wateree Executive Park	341,512	341,512	-
Wildlife Road	191,039	317,116	126,077
(9) Dirt Roads to Pave	253,172	1,866,385	1,613,213
Bethune Recreation Center	371,720	785,434	413,714
Blaney Fire Station	661,321	672,270	10,949
Steeplechase Building	76,612	400,000	323,388
Airport Fueling Station	35,979	54,700	18,721
Taxiway/Taxilane Rehab	53,751	54,260	509
E-911 Backup Center	<u>156,990</u>	<u>200,000</u>	<u>43,010</u>
Total	<u>\$2,376,820</u>	<u>\$4,956,979</u>	<u>\$2,580,159</u>
Business-Type Activities:			
Hwy 5 Influent Pump	\$ 215,586	\$1,489,477	\$1,273,891
US 1 South Sewer	65,678	200,000	134,322
Lagoon Conversion	187,289	187,289	-
US 1 East Camden Sewer	11,050	13,000	1,950
Condor Megasite	125,500	125,500	-
Blaney Fire Sewer Ext.	<u>158,911</u>	<u>418,534</u>	<u>259,623</u>
Total	<u>\$ 764,014</u>	<u>\$2,433,800</u>	<u>\$1,669,786</u>

Note 8. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2011, are as follows:

Accounts Payable	\$ 974,955
Accrued Payroll, Withholdings, Fringe and Benefits	<u>321,080</u>
Total Accounts Payable and Accrued Expenses–	
Governmental Activities	<u>\$ 1,296,035</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 9. Debt Issuance Costs

Bond Issue Costs: In the process of issuing General Obligations Bonds in the amount of \$3,540,000, \$4,500,000 and \$4,625,000 during the fiscal years ended June 30, 2002, June 30, 2006, and June 30, 2011, the County incurred issue costs of \$71,138, \$61,369, \$60,275, and \$53,923 of deferred costs in connection with the refunding of the 1998 A bonds, respectively. These costs are being amortized on the straight-line method over the life of the bond issues. The amount of amortization of these costs for the current fiscal year is \$26,292. The unamortized bond issuance costs amount at June 30, 2011, was \$127,034. The 2010 General Obligation Bond was issued at a premium in the amount of \$13,797 and is being amortized over the life of the associated bond and accordingly is considered as a decrease in interest expense. The amount of amortization decreased interest expense for the current year by \$1,642. The unamortized bond premium at June 30, 2011, was \$12,155.

In the process of issuing Revenue Bonds in the amount of \$1,700,000 as of June 30, 1998, the County incurred issue costs of \$14,877. The costs are being amortized on the straight-line method over the life of the bond issue. The amount of amortization of these costs for the current fiscal year is \$992. The unamortized bond issuance costs at June 30, 2011, were \$2,232.

Note 10. Long-term Debt

Governmental Activities:

As of June 30, 2011, the governmental long-term debt consisted of general obligation bonds, revenue bonds, capital leases, post-closure costs and compensated absences.

General Obligation Bonds

On October 1, 1998, the County issued Series 1998 A General Obligation Bonds totaling \$4,300,000 with annual principal due each April 1 and semi-annual interest payments due April 1 and October 1 of each year. The bonds range in maturity dates from 2001 to 2018. The interest rate ranges from 4.00% to 6.00%. This bond was paid off with the 2010 General Obligation Refunding and Improvement Bond during the fiscal year.

On June 26, 2002, the County issued Series 2002 General Obligation Bonds totaling \$3,540,000 with principal payments due each March 1 and semi-annual interest payments due March 1 and September 1 of each year. The bonds range in maturity dates from 2004 to 2014. The interest rate ranges from 3.00% to 4.25%.

On September 29, 2005, the County issued Series 2005 General Obligation Bonds totaling \$4,500,000 with principal payments due each March 1 and semi-annual interest payments due March 1 and September 1 of each year. The bonds range in maturity dates from 2006 to 2015. The interest rate ranges from 3.00% to 5.00%.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

On August 11, 2010, the County issued Series 2010 General Obligation Refunding and Improvement Bonds totaling \$4,625,000 with principal payments due each March 1 and semi-annual interest payments due March 1 and September 1 of each year. The bonds range in maturity dates from 2011 to 2018. The interest rate ranges from 1.00% to 2.20%. The refunding bonds were used to defease the 1998 A General Obligation Bonds which totaled \$2,615,000. The County increased its aggregate debt service payments by \$1,334,743 over the next 8 years and obtained an economic loss (difference between the present values of the old debt and new debt service payments) of \$1,815,167.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,295,000	\$ 201,049	\$ 1,496,049
2013	1,335,000	164,999	1,499,999
2014	1,400,000	126,305	1,526,305
2015	1,450,000	84,180	1,534,180
2016	1,000,000	51,180	1,051,180
2017-2018	<u>1,690,000</u>	<u>49,860</u>	<u>1,739,860</u>
Totals	<u>\$ 8,170,000</u>	<u>\$ 677,573</u>	<u>\$ 8,847,573</u>

Revenue Bonds Payable

On January 1, 2001, the County issued an Airport Revenue Bond totaling \$175,000 with principal and interest payments due monthly beginning February 1, 2001. The bonds range in maturity dates from 2001 to 2016. The interest rate is 6.284%.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 13,953	\$ 4,193	\$ 18,146
2013	14,880	3,266	18,146
2014	15,856	2,290	18,146
2015	16,896	1,250	18,146
2016	<u>10,365</u>	<u>214</u>	<u>10,579</u>
Totals	<u>\$ 71,950</u>	<u>\$ 11,213</u>	<u>\$ 83,163</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Business-type Activities:

On January 8, 2008, the County issued Series 2008A General Obligation Bonds totaling \$5,574,760 with quarterly principal and interest payments due each February 1, May 1, August 1, and November 1. The bonds range in maturity from 2011 to 2030. The interest rate is 3.50%.

On January 8, 2008, the County issued Series 2008B General Obligation Bonds totaling \$3,598,630 with quarterly principal and interest payments due each March 1, June 1, September 1, and December 1. The bonds range in maturity from 2010 to 2029. The interest rate is 3.25%.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 345,360	\$ 285,716	\$ 631,076
2013	357,251	272,825	630,076
2014	369,553	260,523	630,076
2015	382,279	247,797	630,076
2016	395,444	234,633	630,077
2017-2021	2,191,140	959,241	3,150,381
2022-2026	2,595,438	554,943	3,150,381
2027-2030	<u>1,852,566</u>	<u>111,383</u>	<u>1,963,949</u>
Totals	<u>\$ 8,489,031</u>	<u>\$ 2,927,061</u>	<u>\$11,416,092</u>

On September 10, 1998, the County issued a Sewer System Revenue Bond totaling \$1,700,000 with semi-annual payments of principal and interest due October 1 and April 1 of each year. The original bond ranges in maturity dates from 1999 to 2010. The interest rate is 4.48%. The bond was refinanced in 2010 and ranges in maturity dates from 2010 to 2014. The new interest rate is 2.27%.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 140,697	\$ 7,307	\$ 148,004
2013	143,889	4,115	148,004
2014	<u>73,172</u>	<u>831</u>	<u>74,003</u>
Totals	<u>\$ 357,758</u>	<u>\$ 12,253</u>	<u>\$ 370,011</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 11. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011.

	<u>1-Jul-10</u>	<u>Additions</u>	<u>Reductions</u>	<u>30-Jun-11</u>	<u>One Year</u>
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 7,350,000	\$ 4,625,000	\$ (3,805,000)	\$ 8,170,000	\$ 1,295,000
Capital Leases	84,928	-	(84,928)	-	-
Revenue Bonds	85,054	-	(13,104)	71,950	13,953
Compensated Absences	668,579	516,290	(668,579)	516,290	80,511
Net OPEB Obligation	1,113,481	132,344	-	1,245,825	-
Post-closure Costs	<u>2,356,000</u>	<u>-</u>	<u>(124,000)</u>	<u>2,232,000</u>	<u>-</u>
Total	<u>\$ 11,658,042</u>	<u>\$ 5,273,634</u>	<u>\$ (4,695,611)</u>	<u>\$ 12,236,065</u>	<u>\$ 1,389,464</u>
<i>Business-type Activities:</i>					
Revenue Bonds	\$ 495,296	\$ -	\$ (137,538)	\$ 357,758	\$ 140,678
G.O. Bonds	8,822,896	-	(333,865)	8,489,031	345,360
Compensated Absences	<u>4,760</u>	<u>3,695</u>	<u>(4,760)</u>	<u>3,695</u>	<u>3,695</u>
Total	<u>\$ 9,322,952</u>	<u>\$ 3,695</u>	<u>\$ (476,163)</u>	<u>\$ 8,850,484</u>	<u>\$ 489,733</u>

Note 12. Restricted Cash

Certain resources, which have been set aside for Steeplechase Building, E-911 Tariff, drug seizure and unclaimed funds expenditures are classified as restricted cash on the General and Special Revenue Fund's balance sheet because their use is limited. The amount of restricted cash held by the General Fund and Special Revenue Fund amounted to \$1,114,041 as of June 30, 2011.

Note 13. Debt Limitations

The amount of legal debt margin as of June 30, 2011, is computed as follows:

Total Assessed Value	<u>\$195,529,436</u>
Debt Limit 8% of Assessed Value	\$ 15,642,355
Amount of Debt Applicable to Debt Limit	<u>(11,381,158)</u>
Legal Debt Margin	<u>\$ 4,261,197</u>

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 14. Employee Retirement Plans

Plan Description – Substantially all County employees are members of the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS). The South Carolina Retirement System and the South Carolina Police Officers Retirement System are cost-sharing, multiple-employer defined benefit pension plan administered by the South Carolina Retirement System, a division of the South Carolina State Budget and Control Board. Both systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. Only the South Carolina State Budget and Control Board has the authority to establish and amend benefits.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, South Carolina, 29211-1960.

Funding Policy - Both employees and employer are required to contribute to the Plan under the authority of Title 9 of the SC Code of Laws. Employees covered under SCRS and the PORS are required to contribute at a rate of 6.5% of salary. Employers are required to contribute at a rate of 9.24% to the SCRS defined benefit plan and 11.13% to the PORS defined benefit plan. In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% to provide group life insurance benefits and contribute .20% to provide accidental death benefits for PORS participants.

The payroll for the employees covered by the SCRS for the year ended June 30, 2011, was \$6,932,980. The payroll for the employees covered by the PORS for the year ended June 30, 2011, was \$3,972,300. The County's total payroll, without adjustment for accruals was \$11,289,891.

The County's SCRS and PORS contributions for the year ended June 30, 2011, are as follows:

	<u>Actual & Required Contribution Amounts</u>
<u>SCRS</u>	
Employee Contributions	\$450,644
Employer Contributions	\$640,607
 <u>PORS</u>	
Employee Contributions	\$258,200
Employer Contributions	\$442,117

The County contributed amounts equal to the required contribution to the SCRS and the PORS of \$1,098,892 and \$1,065,502 for the years ended June 30, 2009, and 2010, respectively.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

The County's contributions are actuarially determined, but are communicated to and paid by the County as a percentage of the employees' annual earnings.

Generally all full time, part time or temporary personnel who fill a permanent position are required to participate in and contribute to the SCRS as a condition of employment. However, all full time, part time or temporary personnel who fill a permanent position are not required to participate in and contribute to the PORS as a condition of employment. Employees who retire at or after age 65 or with 30 years of credited services are entitled to full retirement benefits, payable monthly for life, with an annual rate equal to 1.82% of average final compensation, for each year of credited service. Benefits vest on reaching 5 years of service. Vested employees are entitled to a deferred annuity commencing at age 60.

Note 15. Post-Employment Health Care Benefits

Plan Description: The County sponsors a single-employer medical insurance subsidy benefit plan (the "OPEB Plan") that provides payments on behalf of eligible retirees to be used toward the purchase of subsidization or medical insurance provided under the County's group plan. Employees become eligible when the employee qualifies for the SCRS or PORS and has ten (10) or more years of service regardless of age, if hired prior to July 1, 2005. For employees hired after July 1, 2005, the last five years of earned service must have been earned with Kershaw County for the County to provide post-retirement healthcare insurance premium assistance in accordance with the guidelines established in the annual budget ordinance. Information regarding SCRS and PORS eligibility may be found in the Comprehensive Annual Financial Report as indentified in Note 14. The OPEB Plan may be changed by County Council at its discretion; the benefit and contribution requirements of the County and plan members are established and amended by County Council. These contributions are neither guaranteed nor mandatory. County Council has retained the right to unilaterally modify its payments toward retiree health care benefits at any time.

As of July 1, 2010, the measurement date, there were 317 covered participants; fifty two (52) members are retirees receiving benefits and 265 are active participants and dependents.

Funding Policy: Any employee who retires and meets the requirements for retirement in the SCRS is eligible to participate in the Kershaw County Retiree Benefit Program. The SCRS program allows retirement at the earlier of 28 years of service, age 55 with 25 years of service, or age 60 with 8 years of service. Retirees participate in the same health care plan as the active employees (with the additional option of a Medicare Supplement Plan for post-65 retirees). The employees currently have four pre-65 health care plans with various benefits and contribution levels. Any participant who retires with less than 10 years of service pays the total premium until age 65. If a participant retires with 10-25 years of service, Kershaw County will pay half of the premium cost while the employee pays the remaining balance. If a participant retires at age 55 or older and has 25+ years of service, the County contributes the same amount that active members receive (until age 65). Retirees over the age of 65 with 25+ years of service will receive a contribution from the County that is equal to half of the premium cost.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

The County's annual other postemployment benefits ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is based on a level percent of payroll increasing annually at 2.5%.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	July 1, 2010
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percent of Payroll, Open
Amortization Period:	30 years
Actuarial Assumptions	
Investment Rate of Return:	4.0% Annual Return Net of Both Administrative and Investment Related Expenses
Health Cost Trend:	10% to 5% in 1.0% Annual Steps (includes an inflation rate of 2.5%)
Payroll Growth:	2.5% Per Year
Coverage Elections:	70% of Eligible Retirees will Elect Coverage
Active Participant Marriage Assumption:	80% of All Active Employees are Assumed to be Married with Female Spouses Assumed to be 3 Years Younger

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Mortality After Retirement

Table:	UP-94 Mortality Table
Implicit Subsidy:	Total Cost of Coverage for Pre-65 Retirees is 50% Higher Than the Average Premium Rate to Account for Implicitly Subsidized Costs

The asset valuation method used is market value. The actuarial consultants intend to use a smoothing method over a 5 year period with the assumed investment rate of return. The OPEB Plan's UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 16.5 years.

Annual OPEB Costs and Rollforward of Net OPEB Obligation: For 2011, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2011) was as follows:

1.	Net OPEB Obligation, Beginning of the Plan Year	<u>\$ 1,113,481</u>
2.	One Year's Interest on the Net OPEB Obligation	44,539
3.	Annual Required Contribution (Normal Cost Plus Any Amortization Payments)	399,269
4.	Adjustment to Annual Required Contribution	(61,916)
5.	Annual OPEB Cost: (2)+(3)+(4)	381,892
6.	Contributions Made for the Plan Year	<u>249,548</u>
7.	Increase in Net OPEB Obligation (5)-(6)	<u>132,344</u>
8.	Net OPEB Obligation, End of the Plan Year (1)+(7)	<u>\$ 1,245,825</u>

Schedule of Employer Contributions: Contributions include \$195,720 made by the County through payment of covered participants' explicit and implicit subsidized benefits.

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for 2011 were as follows:

Schedule of Employer Contributions				
Applicable to Fiscal Date	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 381,892	\$ 249,548	51.3%	\$ 132,344
June 30, 2010	\$ 758,293	\$ 196,375	25.9%	\$ 561,918
June 30, 2009	\$ 719,548	\$ 167,985	23.3%	\$ 551,563

Schedule of Funding Progress: This schedule will provide trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB Plan is as follows:

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Schedule of Funding Progress					
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate* (b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$7,085,432	\$7,085,432	\$16,444,134	43%
July 1, 2010	\$ -	\$4,824,681	\$4,824,681	\$ 8,428,839	57%

Note 16. Commitments and Contingencies

The County receives state and federal grants for specific purposes that are subject to review and audit by state and federal agencies. Such audits could result in a request for reimbursement by the state and federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of County management, such disallowances, if any, will not be significant.

In the normal course of business, the County enters into agreements with contractors for construction projects. As of June 30, 2011, open contracts and project budgets for construction totaled \$7,390,779, of which \$3,140,834 has been recorded as construction in progress.

Various claims and lawsuits are pending against the County. As of the issuance of the financial statements, it is not known whether any unfavorable outcomes are likely, however, it appears that should there be any unfavorable outcomes, some cause of action may not be covered by insurance.

Note 17. Insurance and Risk Management

The County is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, injuries to employees and natural disasters. The County maintains insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured loss to the County.

Settled claims have not exceeded this coverage in any of the past three years. There are no significant reductions in insurance coverage in the prior year.

The County paid insurance premiums to the South Carolina Counties Property and Liability Trust totaling \$451,377 to cover risks that may occur in normal operations. These risks include loss of real property and contents, motor vehicles, errors and omissions, general liability and theft and dishonesty.

The County paid insurance premiums to the South Carolina Counties Workers' Compensation Trust totaling \$246,896 for workers' compensation coverage.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 18. Closure and Post-closure Care Costs

State and federal environmental laws and regulations require that Kershaw County place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the Park Road and Lugoff-Elgin landfills for thirty (30) years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are recognized based on the estimated closure and post-closure care costs. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The Park Road landfill was officially closed in 2001 and the remaining closure period is now twenty-one (21) years. The Lugoff-Elgin landfill was closed in 1997 and the remaining closure period is now seventeen (17) years. The estimated liability for closure and post-closure care costs is \$2,232,000 as of June 30, 2011, which is based on total post closure-costs for the Park Road and Lugoff-Elgin landfills of \$1,169,000 and \$1,063,000, respectively. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2011. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in laws and regulations. These estimates also assume that there is no groundwater contamination, methane gas problems, major settling, or other similar problems discovered at these sites. Should any of these problems be found, costs could escalate very rapidly. There are no financial assurance requirements or restricted assets related to the estimated liability.

The current year reduction to closure and post-closure costs was \$124,000.

Note 19. Deferred Compensation Plans

Several optional deferred compensation plans are available to County employees through the State of South Carolina. Certain employees of the County have elected to participate. The multiple employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b) are administered by third parties and are included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employee.

Employees may also withdraw the current value of their contributions prior to termination if they meet requirements specified by the applicable plan. The County has no liability for losses under the plans.

Note 20. Intergovernmental Revenues

The County receives funds from both the State of South Carolina and the federal government for various grants and projects. The majority of these funds are accounted for in the Special Revenue Funds with the major exception being grants from the federal government accounted for in the Proprietary Fund.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 21. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2011, consist of the following:

General Fund

Transfer from Debt Service Fund	\$ 1,147,503
Transfer to Special Revenue Fund	(33,468)
Transfer to Capital Projects Fund	(854,027)
Transfer to Proprietary Fund	(25,500)
Net Total Transfer From	<u>234,508</u>

Special Revenue Fund

Transfer from General Fund	33,468
Transfer to Capital Projects Fund	(744,873)
Transfer to Proprietary Fund	(388,756)
Net Total Transfer To	<u>(1,100,161)</u>

Debt Service Fund

Transfer to General Fund	(1,147,503)
Transfer to Proprietary Fund	(241,321)
Net Total Transfer To	<u>(1,388,824)</u>

Capital Projects Fund

Transfer from General Fund	854,027
Transfer from Special Revenue Fund	<u>744,873</u>
Net Total Transfer From	<u>1,598,900</u>

Proprietary Fund

Transfer from General Fund	25,500
Transfer from Special Revenue Fund	388,756
Transfer from Debt Service Fund	<u>241,321</u>
Net Total Transfer From	<u>\$ 655,577</u>

General Fund

Transfers from: Funds were transferred into the General Fund from the Debt Service Fund to reimburse the General Fund for capital projects expenditures funded by the new debt issue.

Transfers to: Funds were transferred from the General Fund to other funds to cover the required match for construction projects and grant expenditures.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Special Revenue Fund

Transfers from: Funds were transferred into the Special Revenue Fund from the General Fund to cover the required match for grant expenditures.

Transfers to: Funds were transferred from the Special Revenue Fund into other funds to cover the debt payments being made on 2008 GO Bonds and reimburse for capital projects funded by the new debt issue.

Debt Service Fund

Transfers to: Funds were transferred from the Debt Service Fund into the other funds to cover the debt payment on the 2008 GO Bonds and to reimburse for capital projects.

Capital Projects Fund

Transfers from: Funds were transferred into the Capital Projects Fund from other funds to cover the match for the construction projects and reimburse for capital projects.

Proprietary Fund

Transfers from: Funds were transferred into the Proprietary Fund from other funds to cover the debt payments for the 2008 GO Bonds and to cover the match for Condor Megasite.

Note 22. Operating Lease Commitment

The County has an operating lease on the building used for operations for the Department of Social Services. The lease term is for fifteen years starting July 1, 1999. Either party may terminate the rental agreement at any time. Rent is payable the first day of each month in the amount of \$10,511. Rental expense amounted to \$126,128 for the fiscal ended June 30, 2011.

The County has an operating lease with Dell Financial Services for eighty seven (87) computers. The lease term is for 3 years starting August 20, 2009, and July 12, 2010. Either party may terminate the rental agreement at any time. Rent is payable on a yearly basis in the amount of \$39,757.

Note 23. Development Agreement

In 2007, the County entered into a development agreement with Agracel, Inc. and Progress Energy Carolinas, Inc. to construct an economic development building at the Steeplechase Industrial Park. Agracel agreed to construct the building at the Steeplechase Industrial Park on land belonging to the County, using the \$400,000 invested by Progress Energy and, if necessary, funds acquired by Agracel secured by the improvements. The County would return the investment made by Progress Energy once the building was sold or if not sold, within 36 months after the building had been approved for the certificate of occupancy.

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Since the building has not been sold, the County owes the original investment back to Progress Energy. The County has set aside funds in the amount of \$380,000 in order to meet this obligation. Also, as part of the agreement, the County also is responsible for paying half of Agragcel's interest payments on the note for the building as well. These amounts have been recorded in Construction in Progress on the governmental activities balance sheet.

Note 24. Subsequent Event

Two major industrial taxpayers in Kershaw County have filed amended property tax returns to the South Carolina Department of Revenue. The value of the personal property on the amended property tax returns was lower than the value reported on the original returns so the industrial taxpayers contend they are due a refund of property taxes paid in previous years. A settlement agreement has been entered into between INVISTA, Kershaw County and Kershaw County School District, whereby the County and the School District agreed to a refund \$1,900,000 due to INVISTA payable on or before January 16, 2012. The liability for the refund is allocated 70% to the Kershaw County School District and 30% to Kershaw County or \$570,000.

The other case is now in administrative law court, and the industrial taxpayer contends it is owed a refund of property taxes based on the amended property tax return filed. However, the County contends it is still owed for property taxes based on the property values assessed. As of the issuance of the financial statements, a settlement agreement has been entered into between Weylchem, Kershaw County, and Kershaw County School District, where by the County and the School District agreed to refund \$135,000 due to Weylchem. The liability for the refund is allocated 70% to the Kershaw County School District and 30% to Kershaw County or \$40,500.

On May 25, 2011, County Council approved a bond issuance in the amount of \$2,416,405. The purpose of the issuance is to fund the construction of a new pump station and force main extension. The first draw of \$718,629 was taken in November 2011.

SUPPLEMENTAL INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Taxes			
Property Taxes - Net	\$ 7,221,128	\$ 6,890,549	\$ (330,579)
Vehicle Taxes - Net	1,167,390	1,047,993	(119,397)
Delinquent Taxes - Net	600,000	673,625	73,625
Fee In Lieu of Taxes	801,051	860,284	59,233
Local Option Sales Tax	2,728,002	2,775,359	47,357
Homestead Exemption	600,000	608,967	8,967
Manufacturer Reimbursement	160,000	160,388	388
Inventory Replacement	<u>55,000</u>	<u>55,223</u>	<u>223</u>
Total Taxes	<u>13,332,571</u>	<u>13,072,388</u>	<u>(260,183)</u>
Licenses, Fees and Permits			
Planning and Zoning	302,150	280,631	(21,519)
Assessor	12,000	9,943	(2,057)
Delinquent Tax Collector	290,000	389,297	99,297
Clerk of Court	234,000	299,033	65,033
Register of Deeds	275,000	302,436	27,436
Probate Court	90,000	103,501	13,501
Master in Equity	110,000	98,051	(11,949)
Sheriff	12,000	15,555	3,555
Health Department	16,445	14,433	(2,012)
Motor Carrier Fees	100,000	73,958	(26,042)
Road Maintenance Fees	1,319,624	1,232,698	(86,926)
Cable Franchise Fees	<u>80,000</u>	<u>109,740</u>	<u>29,740</u>
Total Licenses, Fees and Permits	<u>2,841,219</u>	<u>2,929,276</u>	<u>88,057</u>
Intergovernmental Revenue			
Aid to Subdivisions	2,188,000	2,095,390	(92,610)
DSS Rent Reimbursement	75,000	95,004	20,004
DSS Unit Cost	93,000	170,192	77,192
Veterans Service Offices	5,500	5,267	(233)
Election Commission	42,000	42,545	545
Tire Disposal Fee	25,000	7,746	(17,254)
Accommodations Tax	80,000	28,353	(51,647)
Library Aid	60,000	60,000	-
Salary Supplements	<u>77,471</u>	<u>65,809</u>	<u>(11,662)</u>
Total Intergovernmental Revenue	<u>2,645,971</u>	<u>2,570,306</u>	<u>(75,665)</u>
Charges for Services			
Library	13,000	18,099	5,099
Recreation	345,000	291,304	(53,696)
Other	<u>178,550</u>	<u>257,008</u>	<u>78,458</u>
Total Charges for Services	<u>536,550</u>	<u>566,411</u>	<u>29,861</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Fines and Forfeitures			
Magistrate	\$ 375,000	\$ 460,508	\$ 85,508
Library	18,000	19,097	1,097
Airport	45,000	75,976	30,976
Rental and Leases	8,200	8,597	397
Litter Pickup	3,000	3,000	-
Interest Earned	<u>30,350</u>	<u>18,334</u>	<u>(12,016)</u>
Total Fines and Forfeitures	<u>479,550</u>	<u>585,512</u>	<u>105,962</u>
Miscellaneous			
Other	52,803	58,926	6,123
Library	-	2,146	2,146
Grants	-	146,610	146,610
Landfill	<u>196,500</u>	<u>211,650</u>	<u>15,150</u>
Total Miscellaneous	<u>249,303</u>	<u>419,332</u>	<u>170,029</u>
Total Revenues	<u>20,085,164</u>	<u>20,143,225</u>	<u>58,061</u>
Expenditures			
General Government			
County Council			
Operating	17,324	15,172	2,152
Personnel	<u>157,892</u>	<u>153,515</u>	<u>4,377</u>
Total County Council	<u>175,216</u>	<u>168,687</u>	<u>6,529</u>
County Administrator			
Operating	123,981	144,409	(20,428)
Personnel	<u>275,914</u>	<u>270,240</u>	<u>5,674</u>
Total County Administrator	<u>399,895</u>	<u>414,649</u>	<u>(14,754)</u>
Finance			
Operating	46,323	59,275	(12,952)
Personnel	<u>244,388</u>	<u>250,099</u>	<u>(5,711)</u>
Total Finance	<u>290,711</u>	<u>309,374</u>	<u>(18,663)</u>
Human Resources			
Operating	4,568	5,449	(881)
Personnel	<u>52,953</u>	<u>55,043</u>	<u>(2,090)</u>
Total Human Resources	<u>57,521</u>	<u>60,492</u>	<u>(2,971)</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
County Attorney			
Operating	\$ 46,618	\$ 123,814	\$ (77,196)
Personnel	<u>103,536</u>	<u>100,314</u>	<u>3,222</u>
Total County Attorney	<u>150,154</u>	<u>224,128</u>	<u>(73,974)</u>
Information Technology			
Operating	52,719	51,162	1,557
Personnel	<u>83,287</u>	<u>75,130</u>	<u>8,157</u>
Total Information Technology	<u>136,006</u>	<u>126,292</u>	<u>9,714</u>
Economic Development			
Operating	172,773	119,659	53,114
Personnel	<u>156,295</u>	<u>152,810</u>	<u>3,485</u>
Total Economic Development	<u>329,068</u>	<u>272,469</u>	<u>56,599</u>
Building Maintenance			
Operating	360,050	425,236	(65,186)
Personnel	<u>131,415</u>	<u>120,715</u>	<u>10,700</u>
Total Building Maintenance	<u>491,465</u>	<u>545,951</u>	<u>(54,486)</u>
Planning and Zoning			
Operating	26,882	23,127	3,755
Personnel	<u>306,276</u>	<u>300,922</u>	<u>5,354</u>
Total Planning and Zoning	<u>333,158</u>	<u>324,049</u>	<u>9,109</u>
County Engineer			
Operating	128,213	131,913	(3,700)
Personnel	<u>81,296</u>	<u>81,848</u>	<u>(552)</u>
Total County Engineer	<u>209,509</u>	<u>213,761</u>	<u>(4,252)</u>
Assessor			
Operating	114,969	84,454	30,515
Personnel	<u>434,339</u>	<u>421,478</u>	<u>12,861</u>
Total Assessor	<u>549,308</u>	<u>505,932</u>	<u>43,376</u>
Auditor			
Operating	105,752	105,302	450
Personnel	<u>169,495</u>	<u>163,419</u>	<u>6,076</u>
Total Auditor	<u>275,247</u>	<u>268,721</u>	<u>6,526</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Delinquent Tax Collector			
Operating	\$ 172,297	\$ 146,733	\$ 25,564
Personnel	<u>61,774</u>	<u>97,728</u>	<u>(35,954)</u>
Total Delinquent Tax Collector	<u>234,071</u>	<u>244,461</u>	<u>(10,390)</u>
Treasurer			
Operating	162,099	185,658	(23,559)
Personnel	<u>205,298</u>	<u>182,257</u>	<u>23,041</u>
Total Treasurer	<u>367,397</u>	<u>367,915</u>	<u>(518)</u>
Clerk of Court			
Operating	91,173	65,943	25,230
Personnel	<u>234,094</u>	<u>242,843</u>	<u>(8,749)</u>
Total Clerk of Court	<u>325,267</u>	<u>308,786</u>	<u>16,481</u>
Family Court			
Operating	48,450	38,530	9,920
Personnel	<u>243,193</u>	<u>227,301</u>	<u>15,892</u>
Total Family Court	<u>291,643</u>	<u>265,831</u>	<u>25,812</u>
Summary Court			
Operating	60,019	64,659	(4,640)
Personnel	<u>656,036</u>	<u>633,558</u>	<u>22,478</u>
Total Summary Court	<u>716,055</u>	<u>698,217</u>	<u>17,838</u>
Probate Court			
Operating	21,819	19,845	1,974
Personnel	<u>219,106</u>	<u>215,663</u>	<u>3,443</u>
Total Probate Court	<u>240,925</u>	<u>235,508</u>	<u>5,417</u>
Register of Deeds			
Operating	84,399	76,532	7,867
Personnel	<u>124,769</u>	<u>121,664</u>	<u>3,105</u>
Total Register of Deeds	<u>209,168</u>	<u>198,196</u>	<u>10,972</u>
Master-in-Equity			
Operating	11,835	11,836	(1)
Personnel	<u>46,564</u>	<u>46,063</u>	<u>501</u>
Total Master-in-Equity	<u>58,399</u>	<u>57,899</u>	<u>500</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Coroner			
Operating	\$ 61,362	\$ 71,883	\$ (10,521)
Personnel	<u>51,180</u>	<u>50,649</u>	<u>531</u>
Total Coroner	<u>112,542</u>	<u>122,532</u>	<u>(9,990)</u>
Special Services			
Operating	150,799	163,671	(12,872)
Personnel	<u>155,534</u>	<u>162,362</u>	<u>(6,828)</u>
Total Special Services	<u>306,333</u>	<u>326,033</u>	<u>(19,700)</u>
Veterans Office			
Operating	6,278	6,690	(412)
Personnel	<u>98,791</u>	<u>96,405</u>	<u>2,386</u>
Total Veterans Office	<u>105,069</u>	<u>103,095</u>	<u>1,974</u>
Voter Registration			
Operating	57,296	41,171	16,125
Personnel	<u>124,695</u>	<u>127,342</u>	<u>(2,647)</u>
Total Voter Registration	<u>181,991</u>	<u>168,513</u>	<u>13,478</u>
Social Services			
Operating	<u>134,903</u>	<u>130,064</u>	<u>4,839</u>
Health Department			
Operating	<u>16,445</u>	<u>9,073</u>	<u>7,372</u>
Airport			
Operating	105,645	55,773	49,872
Personnel	<u>6,198</u>	<u>5,919</u>	<u>279</u>
Total Airport	<u>111,843</u>	<u>61,692</u>	<u>50,151</u>
Legislative Delegation			
Personnel	<u>13,500</u>	<u>13,500</u>	<u>-</u>
Library			
Operating	244,587	245,756	(1,169)
Personnel	<u>552,244</u>	<u>524,339</u>	<u>27,905</u>
Total Library	<u>796,831</u>	<u>770,095</u>	<u>26,736</u>
Risk Management			
Operating	14,170	11,927	2,243
Personnel	<u>38,581</u>	<u>38,729</u>	<u>(148)</u>
Total Risk Management	<u>52,751</u>	<u>50,656</u>	<u>2,095</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
General Operating			
Fleet Maintenance	\$ 581,120	\$ 766,632	\$ (185,512)
Total General Government	<u>8,253,511</u>	<u>8,333,203</u>	<u>(79,692)</u>
Public Safety			
Central Communications			
Operating	20,653	17,504	3,149
Personnel	<u>727,046</u>	<u>760,803</u>	<u>(33,757)</u>
Total Central Communications	<u>747,699</u>	<u>778,307</u>	<u>(30,608)</u>
Law Enforcement			
Operating	563,355	607,729	(44,374)
Personnel	<u>3,180,477</u>	<u>3,217,172</u>	<u>(36,695)</u>
Total Law Enforcement	<u>3,743,832</u>	<u>3,824,901</u>	<u>(81,069)</u>
Detention Center			
Operating	584,095	587,945	(3,850)
Personnel	<u>966,295</u>	<u>910,429</u>	<u>55,866</u>
Total Detention Center	<u>1,550,390</u>	<u>1,498,374</u>	<u>52,016</u>
Total Public Safety	<u>6,041,921</u>	<u>6,101,582</u>	<u>(59,661)</u>
Highways and Streets			
Public Works			
Operating	563,971	431,010	132,961
Personnel	<u>645,506</u>	<u>538,503</u>	<u>107,003</u>
Total Highways and Streets	<u>1,209,477</u>	<u>969,513</u>	<u>239,964</u>
Culture and Recreation			
Recreation			
Operating	636,443	539,641	96,802
Personnel	<u>685,416</u>	<u>637,991</u>	<u>47,425</u>
Total Culture and Recreation	<u>1,321,859</u>	<u>1,177,632</u>	<u>144,227</u>
Sanitation			
Solid Waste			
Operating	1,299,374	1,153,499	145,875
Personnel	<u>619,414</u>	<u>585,439</u>	<u>33,975</u>
Total Sanitation	<u>1,918,788</u>	<u>1,738,938</u>	<u>179,850</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Other Objects			
Contribution Agencies			
Bethune Rescue	\$ 7,000	\$ 7,000	\$ -
Camden Rescue	7,000	7,000	-
Central Carolina	152,350	152,350	-
Sistercare	500	500	-
Clemson Extension	1,000	1,000	-
Fine Arts Center	2,250	2,250	-
Camden First Community Development	3,500	3,500	-
Historic Camden	1,875	1,875	-
Mt Pisgah Rescue	7,000	7,000	-
Clean Community Commission	2,000	2,000	-
Wateree RTA	2,063	2,063	-
KC Conservation District	3,750	3,750	-
Wateree Community Action	1,890	1,890	-
Board of Disabilities	1,250	1,250	-
Community Medical Clinic	11,250	11,250	-
Alpha Center	1,500	1,500	-
KC Farmers Market	750	750	-
KershawHealth	150,000	150,000	-
United Way	5,000	5,000	-
Chamber of Commerce	15,000	15,000	-
LEPC	200	350	(150)
Human Relations	<u>675</u>	<u>337</u>	<u>338</u>
Total Contribution Agencies	<u>377,803</u>	<u>377,615</u>	<u>188</u>
Court of General Sessions			
Operating	<u>135,000</u>	<u>135,000</u>	<u>-</u>
Emergency Preparedness			
Operating	<u>9,550</u>	<u>8,639</u>	<u>911</u>
Indigent Care			
Operating	<u>171,645</u>	<u>172,664</u>	<u>(1,019)</u>
General Operating			
Audit Fees	38,700	36,605	2,095
Unemployment Insurance	40,000	126,959	(86,959)
Telephone	121,000	115,366	5,634
Other Operations	76,500	46,464	30,036
Employee Related Expenses	14,500	31,083	(16,583)
Retiree Insurance	168,000	195,720	(27,720)
Insurance	<u>447,081</u>	<u>451,377</u>	<u>(4,296)</u>
Total General Operating	<u>905,781</u>	<u>1,003,574</u>	<u>(97,793)</u>
Total Other Objects	<u>1,599,779</u>	<u>1,697,492</u>	<u>(97,713)</u>

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Capital Outlay			
County Administrator	\$ -	\$ 34	\$ (34)
Economic Development	40,000	60,871	(20,871)
Building Maintenance	10,000	-	10,000
Clerk of Court	-	6,859	(6,859)
Family Court	10,377	-	10,377
Law Enforcement	159,606	156,007	3,599
Airport	-	22,176	(22,176)
Library	-	19,955	(19,955)
Recreation	<u>84,000</u>	<u>123,997</u>	<u>(39,997)</u>
Total Capital Outlay	<u>303,983</u>	<u>389,899</u>	<u>(85,916)</u>
Debt Service			
Principal	13,104	13,104	-
Interest	<u>5,042</u>	<u>5,042</u>	<u>-</u>
Total Debt Service	<u>18,146</u>	<u>18,146</u>	<u>-</u>
Total Expenditures	<u>20,667,464</u>	<u>20,426,405</u>	<u>241,059</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(582,300)</u>	<u>(283,180)</u>	<u>299,120</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	3,200	22,315	19,115
Operating Transfers In	579,100	1,147,503	568,403
Operating Transfers Out	<u>-</u>	<u>(912,995)</u>	<u>(912,995)</u>
Total Other Financing Sources (Uses)	<u>582,300</u>	<u>256,823</u>	<u>(325,477)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(26,357)</u>	<u>\$ (26,357)</u>
Fund Balance, Beginning of Year (Restated)		<u>8,915,233</u>	
Fund Balance, End of Year		<u>\$ 8,888,876</u>	

KERSHAW COUNTY, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 13,332,571	\$ 13,332,571	\$ 13,072,388	\$ (260,183)
Licenses, Fees and Permits	2,841,219	2,841,219	2,929,276	88,057
Intergovernmental	2,645,971	2,645,971	2,570,306	(75,665)
Charges for Services	536,550	536,550	566,411	29,861
Fines and Forfeitures	479,550	479,550	585,512	105,962
Miscellaneous	<u>249,303</u>	<u>249,303</u>	<u>419,332</u>	<u>170,029</u>
Total Revenues	<u>20,085,164</u>	<u>20,085,164</u>	<u>20,143,225</u>	<u>58,061</u>
Expenditures				
Current:				
General Government	8,253,511	8,282,098	8,333,203	(51,105)
Public Safety	6,041,921	6,035,164	6,101,582	(66,418)
Highways and Streets	1,209,477	1,221,736	969,513	252,223
Culture and Recreation	1,321,859	1,321,614	1,177,632	143,982
Sanitation	1,918,788	1,906,529	1,738,938	167,591
Other Objects	1,599,779	1,626,849	1,697,492	(70,643)
Capital Outlay	303,983	305,023	389,899	(84,876)
Debt Service				
Principal	13,104	13,104	13,104	-
Interest	<u>5,042</u>	<u>5,042</u>	<u>5,042</u>	<u>-</u>
Total Expenditures	<u>20,667,464</u>	<u>20,717,159</u>	<u>20,426,405</u>	<u>290,754</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(582,300)</u>	<u>(631,995)</u>	<u>(283,180)</u>	<u>348,815</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	3,200	3,200	22,315	19,115
Operating Transfers In	579,100	628,795	1,147,503	518,708
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(912,995)</u>	<u>(912,995)</u>
Total Other Financing Sources (Uses)	<u>582,300</u>	<u>631,995</u>	<u>256,823</u>	<u>(375,172)</u>
Net Change in Fund Balance	-	-	(26,357)	(26,357)
Fund Balance, Beginning of Year (Restated)	<u>8,915,233</u>	<u>8,915,233</u>	<u>8,915,233</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 8,915,233</u>	<u>\$ 8,915,233</u>	<u>\$ 8,888,876</u>	<u>\$ (26,357)</u>

KERSHAW COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLAN- DEFINED BENEFIT HEALTHCARE PLAN
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2011

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation
June 30, 2011	\$ 381,892	\$ 249,548	65.35%	\$ 132,344
June 30, 2010	\$ 758,293	\$ 196,375	25.90%	\$ 561,918
June 30, 2009	\$ 719,548	\$ 167,985	23.35%	\$ 551,563

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate* (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 7,085,432	\$ 7,085,432	0.00%	\$ 16,444,134	43%
July 1, 2010	\$ -	\$ 4,824,681	\$ 4,824,681	0.00%	\$ 8,428,839	57%

KERSHAW COUNTY, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2011

Note 1. Budgets and Budgetary Accounting

Budgets, except for the Special Revenue Fund, are adopted on a basis consistent with generally accepted accounting principles. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund. Unused appropriations for all annually budgeted funds lapse at the end of the year.

Note 2. Legal Compliance – Budgets

The County Administrator submits a proposed operating budget for the fiscal year to the County Council. The operating budget includes proposed expenditures and the means of financing them. Prior to July 1, the budget is legally enacted through passage of an ordinance. The County Administrator is authorized to transfer budgeted amounts within departments as necessary to achieve the goals of the budget. Any revisions that alter the total expenditures of any fund must be approved by County Council. Budgeted amounts reflected in the accompanying financial statements are the final authorized amounts as revised during the year.

The County has not presented budget information for the Special Revenue Fund, since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the County's fiscal year, a comparison of budgetary information for the total Special Revenue Fund would not be meaningful and has not been presented in the accompanying financial statements.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
BALANCE SHEET
For the Fiscal Year Ended June 30, 2011

Assets

Cash and Cash Equivalents	\$ 2,204
Restricted Cash	734,041
Receivables	
Property Taxes, Net	33,887
Intergovernmental	285,862
Other	96,168
Due from Other Funds	<u>2,918</u>
Total Assets	<u>\$ 1,155,080</u>

Liabilities and Fund Balances

Liabilities:

Compensated Absences	\$ 2,010
Deferred Tax Revenue	20,215
Deferred Revenue	<u>33,786</u>
Total Liabilities	<u>56,011</u>

Fund Balance:

Assigned	<u>1,099,069</u>
Total Fund Balance	<u>1,099,069</u>
Total Liabilities and Fund Balance	<u>\$ 1,155,080</u>

KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011

Revenues

Taxes

Property Taxes - Net	\$ 849,574
Vehicle Taxes - Net	125,623
Delinquent Taxes - Net	79,433
Fee In Lieu of Taxes	37,028
Local Option Sales Tax	224,488
Homestead Exemption	67,440
Manufacturer Reimbursement	16,689
Liquor Excise Tax	28,408
Inventory Replacement	<u>9,660</u>

Total Taxes	<u>1,438,343</u>
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Licenses, Fees and Permits

Road Maintenance Fees	<u>7,409</u>
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Total Licenses, Fees and Permits	<u>7,409</u>
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Intergovernmental Revenue

Aid to Subdivisions	64,564
CTC Funds	89,427
Title IV-D	35,121
1% Fire Assistance	138,419
Accommodations Tax	<u>169,750</u>

Total Intergovernmental Revenue	<u>497,281</u>
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Fines and Forfeitures

Sheriff	87,929
Interest Earned	<u>567</u>

Total Fines and Forfeitures	<u>88,496</u>
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Miscellaneous

Other	88,024
E-911 Tariff	425,180
Grants	<u>471,612</u>

Total Miscellaneous	<u>984,816</u>
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Total Revenues	<u>3,016,345</u>
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KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011
(Continued)

Expenditures

General Government

E-911 Tariff	
Operating	\$ 231,808
Personnel	<u>66,563</u>
Total E-911 Tariff	<u>298,371</u>
 Title IV-D Family Court	
Operating	21,050
Personnel	<u>18,052</u>
Total Title IV-D Family Court	<u>39,102</u>
 Mini Bottle Pass Thru	
Operating	<u>93,053</u>
 Library	
Operating	49,367
Personnel	<u>8,985</u>
Total Library	<u>58,352</u>
 Workforce Initiative	
Operating	161,487
Personnel	<u>67,000</u>
Total Workforce Initiative	<u>228,487</u>
 Total General Government	<u>717,365</u>

Public Safety

Detention Center	
Operating	<u>64,310</u>
 Fire Services	
Operating	419,978
Personnel	<u>284,418</u>
Total Fire Services	<u>704,396</u>

KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011
(Continued)

Firemen's Fund	
Operating	\$ <u>121,647</u>
Victim's Advocate	
Operating	42,523
Personnel	<u>126,274</u>
Total Victim's Advocate	<u>168,797</u>
Sheriff Federal Forfeiture	
Operating	<u>22,886</u>
Sheriff County Forfeiture	
Operating	<u>26,528</u>
Sheriff Donations	
Operating	<u>28,884</u>
Sheriff County Seizures	
Operating	<u>10,025</u>
Civil Process Seizures	
Operating	<u>2,371</u>
EMS Grant	
Operating	<u>11,063</u>
Grant Fund	
Operating	<u>16,130</u>
Total Public Safety	<u>1,177,037</u>
Highways and Streets	
Waste Tire	
Operating	<u>26,748</u>
Total Highways and Streets	<u>26,748</u>
Other Objects	
General Operating	
Other Operations	<u>320,952</u>
Total Other Objects	<u>320,952</u>

KERSHAW COUNTY, SOUTH CAROLINA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011
(Continued)

Capital Outlay

Title IV-D Family Court	\$ 10,186
Library	4,230
CTC Funds	184,645
Victim's Advocate	51,027
Fire Services	209,631
Sheriff Federal Forfeiture	33,594
Recreation	<u>12,500</u>

Total Capital Outlay	<u>505,813</u>
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Total Expenditures	<u>2,747,915</u>
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Excess of Revenues Over Expenditures	<u>268,430</u>
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Other Financing Sources (Uses)

Transfers from General Fund	33,468
Transfers to Capital Projects Fund	(744,873)
Transfers to Proprietary Fund	<u>(388,756)</u>

Total Other Financing Sources (Uses)	<u>(1,100,161)</u>
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Net Change in Fund Balance	(831,731)
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Fund Balance, Beginning of Year	<u>1,930,800</u>
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Fund Balance, End of Year	<u>\$ 1,099,069</u>
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KERSHAW COUNTY, SOUTH CAROLINA
LIBRARY OPERATIONS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011

	<u>County</u>	<u>State</u>	<u>State Lottery</u>	<u>Federal Grant</u>	<u>Total</u>
Revenues					
Charges for Services	\$ 18,099	\$ -	\$ -	\$ -	\$ 18,099
Fines	19,097	-	-	-	19,097
Intergovernmental	-	60,000	-	-	60,000
Miscellaneous	<u>2,146</u>	<u>-</u>	<u>-</u>	<u>36,182</u>	<u>38,328</u>
Total Revenues	<u>39,342</u>	<u>60,000</u>	<u>-</u>	<u>36,182</u>	<u>135,524</u>
Expenditures					
Books, Periodicals and Departmental Supplies	60,511	58,906	-	40,107	159,524
Miscellaneous	<u>7,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,248</u>
Total Expenditures	<u>67,759</u>	<u>58,906</u>	<u>-</u>	<u>40,107</u>	<u>166,772</u>
Excess (Deficiency) of Revenues Over Expenditures	(28,417)	1,094	-	(3,925)	(31,248)
Fund Balance, Beginning of Year	<u>121,282</u>	<u>23,486</u>	<u>1,720</u>	<u>8,309</u>	<u>154,797</u>
Fund Balance, End of Year	<u>\$ 92,865</u>	<u>\$ 24,580</u>	<u>\$ 1,720</u>	<u>\$ 4,384</u>	<u>\$ 123,549</u>

KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINES AND ASSESSMENTS
For the Fiscal Year Ended June 30, 2011

Fines and Fees

Family Court Fines	\$ 2,452
Family Court Fees	100,037
Other Court Fines and Fees	548,775

Assessments

DUI	44,644
General Sessions	6,429
Magistrate	387,320

Surcharges

Drug	6,523
Law Enforcement	184,166
Criminal Justice Academy	<u>28,535</u>

Total	<u>1,308,881</u>
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Retained by County

Victims Assistance:	
Fines	506,598
Assessments	<u>45,825</u>

Total Retained by County	<u>552,423</u>
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Total Fines and Assessments Remitted to State Treasurer and Other Agencies	<u>\$ 756,458</u>
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DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

KERSHAW COUNTY, SOUTH CAROLINA
DEBT SERVICE FUND
BALANCE SHEET
June 30, 2011

Assets

Property Taxes Receivable, Net	\$ 83,257
Intergovernmental Receivable	<u>64,439</u>
Total Assets	<u>\$ 147,696</u>

Liabilities and Fund Balance

Liabilities

Due to General Fund	\$ 5,562
Deferred Tax Revenue	<u>65,198</u>
Total Liabilities	<u>70,760</u>

Fund Balance

Restricted for Debt Service	<u>76,936</u>
Total Fund Balance	<u>76,936</u>

Total Liabilities and Fund Balance	<u>\$ 147,696</u>
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KERSHAW COUNTY, SOUTH CAROLINA
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011

Revenues

Taxes	
Property Taxes - Net	\$ 958,777
Vehicle Taxes - Net	138,832
Delinquent Taxes - Net	90,020
Fee In Lieu of Taxes	93,638
Local Option Sales Tax	373,600
Homestead Exemption	84,624
Manufacturer Reimbursement	21,507
Inventory Replacement	<u>7,429</u>
Total Taxes	<u>1,768,427</u>
Licenses, Fees and Permits	
Motor Carrier Fees	<u>9,634</u>
Total Licenses, Fees and Permits	<u>9,634</u>
Total Revenues	<u>1,778,061</u>

Expenditures

Principal Retirement	1,274,926
Interest and Other Charges	201,558
Refunding Bond Issuance Costs	<u>14,065</u>
Total Expenditures	<u>1,490,549</u>
Excess of Revenues Over Expenditures	<u>287,512</u>

Other Financing Sources (Uses)

Premiums on Bonds Sold	13,797
Proceeds of Refunding Debt	3,816,194
Payment to Refunded Debt Escrow Agent	(2,668,923)
Transfer to General Fund	(1,147,503)
Transfer to Proprietary Fund	<u>(241,321)</u>
Total Other Financing Sources (Uses)	<u>(227,756)</u>

Net Change in Fund Balance	59,756
Fund Balance, Beginning of Year	<u>17,180</u>
Fund Balance, End of Year	<u>\$ 76,936</u>

CAPITAL PROJECT FUNDS

The capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

KERSHAW COUNTY, SOUTH CAROLINA
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2011

Assets

Grants Receivable	\$ 186,974
Due from Other Funds	<u>373,724</u>
Total Assets	<u>\$ 560,698</u>

Liabilities and Fund Balances

Liabilities	
Deferred Revenue	\$ <u>35,654</u>
Total Liabilities	<u>35,654</u>
Fund Balances	
Restricted for Capital Projects	<u>525,044</u>
Total Liabilities and Fund Balances	<u>\$ 560,698</u>

KERSHAW COUNTY, SOUTH CAROLINA
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2011

Revenues

Miscellaneous	\$ <u>96,428</u>
Total Revenues	<u>96,428</u>

Expenditures

Capital Outlay

CCTC Workforce Center	144,889
Wildlife Road	438,944
Wateree Executive Park	31,267
2010A GO Bond	226,516
Governor's Hill	2,894
Elgin Fire Station	596,182
Bethune Recreation	313,619
Airport	92,011
E-911	<u>156,990</u>
Total Capital Outlay	<u>2,003,312</u>

Debt Service

Refunding Bond Issuance Costs	<u>46,210</u>
Total Expenditures	<u>2,049,522</u>

Excess (Deficiency) of Revenues over Expenditures	<u>(1,953,094)</u>
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Other Financing Sources

Proceeds of Refunding Debt	808,806
Transfer From General Fund	854,027
Transfer From Special Revenue Fund	<u>744,873</u>
Total Other Financing Sources	<u>2,407,706</u>

Net Change in Fund Balance	454,612
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Fund Balance, Beginning of Year	<u>70,432</u>
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Fund Balance, End of Year	<u>\$ 525,044</u>
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SEWER SYSTEM ENTERPRISE FUND

The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes. The only enterprise fund utilized is for the Sewer System.

KERSHAW COUNTY, SOUTH CAROLINA
SEWER SYSTEM ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

Operating Revenues

Charges for Sewer Service	\$ 907,489
Impact Fees and Other Charges	15,570
Miscellaneous	<u>118,457</u>
Total Revenues	<u>1,041,516</u>

Operating Expenses

Salaries and Benefits	142,510
Contractual Services	140,674
Supplies	13,110
Repairs and Maintenance	163,902
Fuel	6,929
Utilities and Telephone	168,672
Engineering	15,753
Postage	5,842
Miscellaneous	10,482
Depreciation	417,992
Amortization	<u>992</u>
Total Operating Expenses	<u>1,086,858</u>

Operating Income (Loss) (45,342)

Non-Operating Income (Expense)

Interest Expense	<u>(302,674)</u>
Total Non-Operating Income (Expense)	<u>(302,674)</u>

Income Before Contributions and Transfers (348,016)

Transfer from General Fund	25,500
Transfer from Special Revenue Fund	388,756
Transfer From Debt Service Fund	<u>241,321</u>
Total Contributions and Transfers	<u>655,577</u>

Change in Net Assets 307,561

Net Assets, Beginning of Year 9,491,351

Net Assets, End of Year \$ 9,798,912

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Trust funds are used to account for assets held by the government in a trustee capacity.

**KERSHAW COUNTY, SOUTH CAROLINA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

	<u>Agency Funds</u>	<u>Trust Funds</u>
Assets		
Cash	\$ 4,248,815	\$ 1,878,892
Taxes Receivable, Net	2,247,130	-
Due from General Fund	<u>1,414,227</u>	<u>-</u>
Total Assets	<u>\$ 7,910,172</u>	<u>\$ 1,878,892</u>
Liabilities and Net Assets		
Liabilities		
Due to Other Taxing Authorities	\$ 5,782,862	\$ -
Deferred Tax Revenue	1,780,310	-
Due to Solicitor	328,143	-
Due to KC Clean Commission	<u>18,857</u>	<u>-</u>
Total Liabilities	<u>7,910,172</u>	<u>-</u>
Net Assets		
Held in Trust	<u>-</u>	<u>1,878,892</u>
Total Liabilities and Net Assets	<u>\$ 7,910,172</u>	<u>\$ 1,878,892</u>

KERSHAW COUNTY, SOUTH CAROLINA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assets				
Cash	\$ 3,128,262	\$ 97,515,065	\$ 96,394,512	\$ 4,248,815
Taxes Receivable, Net	2,416,460	2,247,130	2,416,460	2,247,130
Due From General Fund	<u>1,345,251</u>	<u>38,218,405</u>	<u>38,149,429</u>	<u>1,414,227</u>
 Total Assets	 <u>6,889,973</u>	 <u>137,980,600</u>	 <u>136,960,401</u>	 <u>7,910,172</u>
 Liabilities				
Due to Other Taxing Authorities	4,696,394	5,782,862	4,696,394	5,782,862
Deferred Tax Revenue	2,119,789	1,780,310	2,119,789	1,780,310
Due to Solicitor	73,790	328,143	73,790	328,143
Due to KC Clean Commission	<u>-</u>	<u>18,857</u>	<u>-</u>	<u>18,857</u>
 Total Liabilities	 <u>\$ 6,889,973</u>	 <u>\$ 7,910,172</u>	 <u>\$ 6,889,973</u>	 <u>\$ 7,910,172</u>

KERSHAW COUNTY, SOUTH CAROLINA
FIDUCIARY FUNDS
COMBINING BALANCE SHEET-ALL TRUST FUNDS
June 30, 2011

	Detention Center	Land Sale	Magistrate	Clerk/ Family Court	Master in Equity	Sheriff Drug Trust	Total
Assets							
Cash	\$ 37,886	\$ 1,011,193	\$ 172,813	\$ 606,948	\$ 19,754	\$ 30,298	\$ 1,878,892
Total Assets	<u>37,886</u>	<u>1,011,193</u>	<u>172,813</u>	<u>606,948</u>	<u>19,754</u>	<u>30,298</u>	<u>1,878,892</u>
Liabilities and Net Assets							
Net Assets							
Held in Trust	<u>37,886</u>	<u>1,011,193</u>	<u>172,813</u>	<u>606,948</u>	<u>19,754</u>	<u>30,298</u>	<u>1,878,892</u>
Total Net Assets	<u>\$ 37,886</u>	<u>\$ 1,011,193</u>	<u>\$ 172,813</u>	<u>\$ 606,948</u>	<u>\$ 19,754</u>	<u>\$ 30,298</u>	<u>\$ 1,878,892</u>

COMPLIANCE SECTION

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA
TERRY M. HANCOCK, CPA
LARRY F. GODWIN, CPA
THOMAS B. MYERS, CPA
DARYL W. TAYLOR, CPA
ANTHONY E. BOYKIN, CPA
JANE M. PEACOCK, CPA
MATTHEW C. IRICK, CPA
ANTHONY N. MESSIER, CPA
J. RICHARD PARKER, CPA
R. MARC WOOD

REBECCA M. LEE, CPA
KELLEY C. STEEN, CPA
STEPHEN A. GRAHAM, CPA
JOHN C. BOYKIN, III
JESSICA E. GASKINS

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S
SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE
(803) 432-1424
FAX
(803) 432-1831

WEBSITE: www.shgcpa.com

January 6, 2012

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Members of the County Council
Kershaw County
Camden, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kershaw County, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise Kershaw County's basic financial statements, and have issued our report thereon dated January 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kershaw County, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kershaw County, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kershaw County, South Carolina's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such as that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 11-1, 11-3, 11-4 and 11-5 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 11-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kershaw County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Kershaw County, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Kershaw County, South Carolina's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, County Council, others within the entity, and federal awarding agencies and pass-through entities, and all other legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



Sheheen, Hancock and Godwin, LLP
Certified Public Accountants

**KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2011**

11-1 Oversight of the Financial Reporting Process

Condition:

Management requested us to assist in identifying adjustments to the accounting records and prepare the complete year end financial statements including related footnote disclosures in accordance with generally accepted accounting principles. The outsourcing of these services is not unusual in municipalities of the County's size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring the internal resource cost.

Criteria:

Kershaw County should have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with generally accepted accounting principles.

Questioned Cost:

Unknown

Recommendations:

We recommend that the County continue to evaluate the cost benefit of outsourcing these services versus incurring the internal resource cost.

View of Responsible Official and Planned Corrective Action:

Management agrees with this finding and believes that, in the best interest of the County, to continue the outsourcing of this service due to staffing and budget constraints.

KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2011
(Continued)

11-2 Detention Center

Condition:

The inventory control sheet for the phone cards is not being updated and reconciled on a daily basis.

Criteria:

One individual should be responsible for updating the inventory control sheet on a daily basis and reconciling the inventory sheet with the phone cards on a monthly basis.

Questioned Cost:

Unknown

Recommendation:

The County should establish internal controls over the phone cards and have someone responsible for updating the inventory control sheet.

View of Responsible Official and Planned Corrective Action:

Management agrees with the finding and will establish internal controls over the phone card inventory.

**KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2011
(Continued)**

11-3

Personnel Files

Condition:

Instances were found where employee's pay rates were not documented in their personnel files. Also, instances were found where the incorrect amount is being withheld from the employees' wages for the tobacco surcharge. The employees are being overcharged for their premium, and in one instance, an employee is paying the tobacco surcharge and is not a tobacco user.

Criteria:

An established procedure should be implemented for the review and approval of payroll changes made to all payroll records. The personnel department should verify and approve all changes in an employee's payroll records with all appropriate authorizations before the information is entered into the payroll system.

Questioned Cost:

Unknown

Recommendation :

The County should establish a procedure for the review and approval of all payroll changes to payroll records. All personnel files should contain the appropriate authorizations and gross pay changes in order to verify the accuracy of payroll information to the payroll records. Also, the insurance premiums withheld from employees' wages should be reconciled monthly with the insurance premiums paid with any difference being identified and corrected.

View of Responsible Official and Planned Corrective Action:

Management agrees with the finding and will establish a procedure to ensure that proper evidence of authorization for changes in employee payroll status are approved and documented in individual employee files on a consistent basis.

**KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2011
(Continued)**

11-4 Fiscal Management over Fixed Asset Records

Condition:

The County did not maintain the fixed asset records during the fiscal year. The schedules maintained for the Governmental Funds and the Proprietary Fund were not updated for all current year additions, and the fixed asset schedules were not reviewed for disposals or obsolete assets.

Criteria:

The fixed asset records should be maintained and updated for any additions and disposals. Depreciation should be calculated for the year.

Questioned Cost:

Unknown

Recommendation:

We recommend that the capital outlay expenditure accounts be reviewed on a monthly basis and any fixed asset additions costing over the \$10,000 capitalization threshold be added to the fixed assets records. Also, we recommend that the County review the fixed assets records including sewer, and conduct a physical inventory, if necessary, to identify fixed assets that have been disposed of, are no longer in service, or have been moved to other locations.

View of Responsible Official and Planned Corrective Action:

Management agrees with this finding and will evaluate its resources to determine the best method to implement the above recommendations.

**KERSHAW COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2011
(Continued)**

11-5 Lack of Segregation of Duties

Condition:

There is a lack of segregation of duties in the Magistrate's civil court office. One employee is responsible for the collection and recording of cash receipts, cash disbursements, and account reconciliations.

Criteria:

A separation of duties between recording of cash receipts, cash disbursements, bank reconciliations, and handling of the case files should be maintained and adequate oversight or review procedures should be in place.

Questioned Cost:

Unknown

Recommendation :

We recommend that one employee collect and record the cash receipts and disbursements and another employee handle the case files and bank reconciliations. If a case is dismissed, approval should be obtained from a supervisor in order to delete the case file. All case files should be maintained in accordance with State Court retention policies.

View of Responsible Official and Planned Corrective Action:

Management agrees with the findings and will implement changes in internal controls to help mitigate the lack of segregation of duties.